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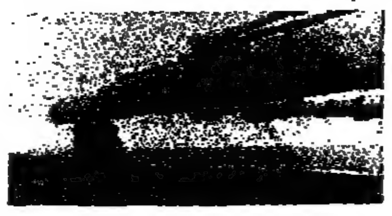

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FINANCIAL TIMES

Europe's Business Newspaper TUESDAY NOVEMBER 10 1992 D8523A

UK defence sales policy to Iraq under scrutiny

The British government faced calls for an inquiry into its policy of selling defence equipment to Iraq in the run-up to the Gulf war after the trial of three directors of machine tool exporter Matrix Churchill collapsed. They had been charged with breaching export controls. It was claimed that four ministers in the Margaret Thatcher government were involved in a "secret policy" to promote British exports of defence-related equipment to Saddam Hussein's regime. Page 18

RVI likely to shed jobs: Government-owned French truckmaker Renault Véhicules Industriels is expected shortly to announce up to 2,500 job losses – nearly 15 per cent of the workforce, emphasising the depth of recession in the world truck industry. Page 19

Refinery blasts kill five in Marseilles

Five people died and another was seriously hurt when explosions, believed caused by a gas leak, ripped through the Le Mede oil refinery (left) near Marseilles in southern France. More than 250 firemen took three hours to put out the fire which followed. The refinery is the second largest owned by French oil company Total.

Black takes Southam stake: Conrad Black, Canadian proprietor of Britain's Daily Telegraph newspaper, has become the largest single shareholder in Southam, Canada's biggest newspaper chain, by agreeing to buy for C$259m (US$206.8m) a 23 per cent stake previously held by Torstar, another Canadian publishing group. Page 19

Continental deal: Continental Airlines, US carrier operating under Chapter 11 of the US bankruptcy code, accepted a $450m investment proposal from Air Canada, larger of the two main Canadian carriers. Page 19

ICI invests in Taiwan: Britain's biggest manufacturer, Imperial Chemical Industries, opened a £150m ($232m) plant in Taiwan to produce terephthalic acid, which is used to manufacture polyester for textiles, bottles and films. The facility is the biggest investment in Taiwan by a foreign group. Page 4

Hong Kong reforms condemned: A group of prominent Hong Kong business people called on governor Chris Patten to drop proposals for democratic reform in the colony. Page 18

Chevron to lose 1,500 staff: Chevron Corp of San Francisco is to shed 1,000 jobs at its headquarters, to save $200m a year, and a further 500 at its information technology unit.

Satellite contract for Russia: Inmarsat, a 65-nation international co-operative, awarded Russia its first contract – worth $38m – to place a western-built satellite in orbit. Page 18

Treaty signed: UK prime minister John Major and Russian president Boris Yeltsin buried the legacy of cold war suspicion, pledging a new era of co-operation and signing the first comprehensive treaty between the two countries for two centuries. Page 3

Big advance at Reliance: Fast-growing Indian chemicals and textiles conglomerate Reliance Industries reported a 119 per cent rise in sixth-month net profits to Rs1.82bn ($64m), due to rising sales and higher earnings from financial investments. Page 21

Tokyo budget delayed: Japan's supplementary budget, planned to prevent the economy falling into recession, was delayed when the ruling Liberal Democratic party failed to agree a timetable for discussion with the main opposition parties. Page 5

Bad news for Irish PM: The first opinion poll of the Irish election campaign showed voter satisfaction with the government at 23 per cent. The personal rating of prime minister Albert Reynolds has dropped 20 percentage points in two weeks to 30 per cent. Page 2

Crackdown on guerrillas: Colombia's government said it would cancel contracts with companies which paid protection money to the country's guerrilla groups. Some 17,000 people have died in four years of political violence. Page 7

■ STOCK MARKET INDICES

FT-SE 100:	2,695.4	(-7.3)
Yield	4.47	
FT-SE Eurotrack 100	1,042.47	(+4.19)
FT-A All-Share	1,276.44	(-0.2%)
Nikkei	16,417.06	(-452.76)
New York:		
Dow Jones Ind Ave	3,240.87	(+0.81)
S&P Composite	418.59	(+1.01)

■ US RATES

Federal Funds:	3%	(2 15/16%)
3-mo Treas Bills: Yld	3.136%	(3.116%)
Long Bond	94 3/8	(94 1/4)
Yield	7.729%	(7.754%)

■ LONDON MONEY

3-mo Interbank	7 1/16%	(7 3/16%)
Liffe long gilt future:	Dec 102	(Dec 101 25/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$18.225	(same)

■ Gold

New York Comex (Nov)	$332.5	(335.7)
London	$334.45	(334.05)

■ STERLING

New York:		
$	1.5165	(1.529)
London:		
$	1.521	(1.537)
DM	2.415	(2.45)
FFr	8.165	(8.285)
SFr	2.1675	(2.2)
Y	188.25	(189.0)
£ Index	78.2	(78.9)

■ DOLLAR

New York:		
DM	1.5915	(1.5975)
FFr	5.4195	(5.4)
SFr	1.4385	(1.434)
Y	124.275	(123.33)
London:		
DM	1.5885	(1.594)
FFr	5.3675	(5.39)
SFr	1.4255	(1.4315)
Y	123.85	(123.05)
$ Index	64.9	(64.7)

Tokyo close Y 123.78

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Peso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils800	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Gatt chief Dunkel to intervene in farm subsidies dispute with US

Europe split over trade row

By David Gardner in Brussels and Frances Williams in Geneva

A FIRM Anglo-German alliance last night beat back a French move for early reprisals against the US in the looming trade war with the US.

This coincided with intervention in the dispute by Mr Arthur Dunkel, the director-general of the General Agreement on Tariffs and Trade. Mr Dunkel decided to go to Brussels and Washington within the next few days to press the EC and the US to resolve their dispute over European oilseeds subsidies and to reconvene talks on world trade liberalisation in Geneva.

At a meeting of foreign ministers in Brussels, the French urged that the EC begin preparing reprisals against the US threat to levy punitive tariffs on $300m of European exports on December 5.

Instead, a majority of ministers called for urgent resumption of negotiations with the US.

Only Spain, Belgium, Portugal and Greece rallied to the French call for a muscular response to Washington.

However, most of the 12 agreed that EC counter-retaliation would be inevitable if the US goes ahead with its sanctions after the 30-day waiting period it has set.

The EC ministers expressed "severe disappointment at US threats to withdraw, unilaterally, Gatt-bound concessions" while trade talks are still going on in Geneva. The ministers warned "that such action could only lead to a retaliatory spiral, which would damage both sides through a slump in business confidence and lost jobs."

Senior EC diplomats said last night the European Commission in Brussels would be told at its meeting tomorrow to bury its internal differences over who negotiates for the Community in the trade affair.

Mr Ray MacSharry, EC agriculture commissioner, last week relinquished his responsibility for negotiating the farm chapter of the Uruguay Round of trade talks because he felt Mr Jacques Delors, Commission president, was undermining him by siding with France.

Tomorrow's meeting could be a showdown between Mr Delors and Mr MacSharry.

"There is urgency about getting [the talks with the US] going," a UK presidency official said. "Let us say that there will be urgent disappointment if [after Wednesday] they haven't sorted themselves out."

French officials would not be drawn formally on whether Mr MacSharry had exceeded his mandate – as Paris and Mr Delors have claimed – in the deal he was close to reaching at last week's ultimately abortive negotiations in Chicago.

Mr Bruno Durieux, French trade minister, said "we do not want the Gatt agreement to go any further than the effort demanded [in farm subsidy cuts] by the reform of the Common Agricultural Policy."

Mr MacSharry maintains he has kept within the CAP reform's projected cutbacks in subsidised food exports. But Mr Durieux said yesterday this remains "to be confirmed."

The Commission yesterday undertook to demonstrate whether the price and production cuts the 12 agreed in May for the CAP reform fit within any eventual Gatt deal.

Mr Dunkel's intervention came after ambassadors to Gatt made clear at an informal meeting with him yesterday that they wanted him to talk to the two trading powers urgently.

At today's emergency meeting of the Trade Negotiations Committee, the top-level supervisory body for the Uruguay Round of trade liberalisation talks, Mr Dunkel is expected to be given a formal mandate to sound out the US and EC on getting the Geneva talks restarted.

The hope is that this will increase the pressure on the two trading blocs to come to terms over oilseeds before the US-imposed sanctions deadline of December 5 and, if necessary, bring their broader dispute over farm subsidies back into the scope of the multilateral negotiations.

The breakdown of the US-EC farm subsidy talks in Chicago last week and subsequent threats of an escalating trade war have infuriated other countries involved in the 108-nation Uruguay Round.

Trade officials in Geneva yesterday expressed bitterness that the US and EC had failed to take the necessary political decisions to resolve their differences and pave the way for a successful completion of the round.

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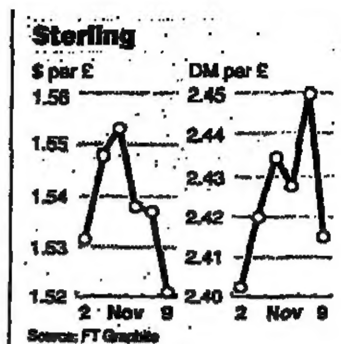

Sterling

Pound falls as calls for rate cut grow

By Michael Cassell in Harrogate and Our Economics Staff in London

MOUNTING PRESSURE on the British government to expand the economy and to cut interest rates unleashed speculative selling of sterling yesterday, pushing the pound down to a five-year low against the dollar.

As UK industry leaders urged the government to ease off its fight against inflation in favour of immediate action to bring the economy out of recession, dealers sold pounds in the belief that base rates could be cut by as much as 2 percentage points later this week.

On the UK money market, traders priced a full percentage point cut in base rates – from 8 per cent – into their cash market operations. Three-month money, which often acts as a bellwether of base rate trends, closed around 7 per cent, down from 7 1/4 per cent on Friday.

As hopes of a cut in borrowing costs grew, sterling fell by nearly two cents to a close of $1.5210 in London. It is understood, however, that Mr Norman Lamont, the chancellor of the exchequer, is not contemplating the radical step of a 2 point base rate cut.

He has let it be known that weekend press reports suggesting that the government might order an immediate cut in base rates to 6 per cent are "not realistic".

At the annual conference of the Confederation of British Industry, the employers' association, delegates maintained pressure on ministers to unveil a detailed plan for economic recovery. On

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UK prime minister criticised over failure to ratify European union treaty

Douglas Hurd: no final date for UK approval of treaty

Mitterrand attacks UK delay over Maastricht

By David Buchan in Paris and Lionel Barber in Brussels

PRESIDENT François Mitterrand strongly attacked Prime Minister John Major last night for delaying Britain's decision on ratification of Maastricht until well into next year.

His unusually strong assault came as British and Danish ministers met with limited success in Brussels in efforts to soothe the nerves of EC partners who are alarmed over the future of the Maastricht treaty.

Mr Douglas Hurd, Britain's foreign secretary, asked other EC ministers to take in good faith the UK's goal of speedy ratification.

But he avoided giving a final date for wrapping up the treaty in the House of Commons. The French president, in a television interview, said that he would be content to give the UK government "a delay of a few weeks" after January 1, 1993 – the original target date for treaty ratification – "but not more".

Expressing confidence that 10 countries would ratify the European union treaty by the end of the year, Mr Mitterrand said it was "unacceptable" for Mr Major to delay British ratification until after Denmark had held a second referendum on the issue in May at the earliest.

The French president's strong stance bodes trouble for Mr Major at next month's Edinburgh summit, though Mr Mitterrand said in his television interview last night, that he still thought the UK leader would "stick to his word".

Clearly hoping for a further change of tack on the UK prime minister's part, Mr Mitterrand said "one should not prejudge the final decision of Mr Major, who only a short time ago seemed to say that Britain would deliver its verdict before January 1."

"I judge it [the UK delay] badly," said the French president, "but one should not be surprised. On all the big European agreements in recent years, we have had the same sort of difficulties with Britain."

Yet, as for instance with the 1986 European Single Act, the UK had joined in eventually.

Indirectly, Mr Mitterrand was even more scathing about Denmark. For Britain to make the timing of its decision dependent on the Danes was unacceptable, "because this could last as long as the Danes would wish it".

In this circumstance, "the Danes would be masters of the decision of Europe...this is not acceptable either," he said.

After the Brussels meeting, Mr Hurd said the UK's decision to delay ratification until after a second Danish referendum, likely next May, had meet with "some anxiety, but considerable understanding."

Britain's difficulties with ratification – coupled with Denmark's demands for exemptions from the Maastricht treaty – have created considerable uncertainty about the Community's future.

Belgian and French officials both suggested yesterday that

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MCC liquidators reject $1.2bn offer for US business

By Raymond Snoddy

MR ROBERT BASS, the Texan billionaire whose 1988 intervention prompted Mr Robert Maxwell to increase his bid for Macmillan, is leading a new $1.2bn offer for the US publisher and for Official Airline Guides. The two companies are the main US business of Maxwell Communication Corporation.

Price Waterhouse, the MCC administrator, has rejected the offer by Mr Bass and other investors, claiming that it can raise more money for creditors by selling the companies separately.

In 1988, Mr Bass cleared an estimated $75m after bidding for Macmillan and then pulling out after Maxwell increased his offer to $2.6bn. Although asset sales later recouped part of the purchase price, it was a "victory" that put Maxwell on the road to ruin. He paid $750m for OAG at about the same time.

The latest offer involves $750m in cash, with the balance coming from assuming commercial liabilities such as OAG preferred stock and a mortgage on Macmillan's New York headquarters.

The Bass-led investment group is pushing for a direct meeting with the steering committee of banks such as Credit Lyonnais and Chase Manhattan, which effectively own MCC, and has set a two-week deadline from November 6.

Earlier this year, Price Waterhouse said it believed the best way to raise the maximum amount of money for MCC creditors, owed around £1.5bn, was to split the business.

OAG is to be sold, a process that has already begun, and the Macmillan publishing businesses floated sometime next year.

The administrators said they hoped the sale of the US businesses would bring in between $700m and $1.1bn net of tax and other charges. The $1.2m Bass offer includes such commercial liabilities.

Mr Alan Jamieson, joint administrator, confirmed yesterday there had been an approach from parties interested in purchasing the whole group.

The approach, Mr Jamieson said, is "so much at the bottom end of our expectations" that they were not going to be diverted from their strategy of breaking up the group.

The group had been allowed to state its case to J.P. Morgan, the investment bank which is Price Waterhouse's US adviser.

The investor group is led by Acadia Partners, a $1.7bn investment partnership which includes Mr Bass and Keystone, formerly the Robert M. Bass group. It includes Bain Capital, Bear Stearns and DLJ Merchant Banking.

It has committed $200m of equity capital and Chemical Bank says it will underwrite $300m in credit and provide working capital. DLJ and Bear Stearns have expressed confidence that the remaining $300m needed to finalise the deal can be raised.

Neither Acadia Partners nor Keystone would comment yesterday but they argue that delay is leading to a deterioration of the Maxwell businesses in the US. A letter to the banks also argues that the market for public offerings in the US has softened dramatically and that significant tax problems could flow from a break-up of Macmillan.

Reed International, soon to become Reed Elsevier, the under bidder for OAG last time, recently publicly indicated that it would put in a new bid for the travel information business.

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NEWS IN BRIEF

German bankruptcies rise over 13 per cent

THE slowdown in the west German economy is causing an increasing number of bankruptcies in small and medium-sized companies, writes Judy Dempsey in Bonn. The failure rate reached 839 in August, a rise of 13.4 per cent over the same month a year ago.

Over the first eight months of this year, 6,374 companies filed for bankruptcy, an increase of 12.5 per cent over the same period in 1991, while the total number of officially announced insolvency cases increased to 9,235, or 6.7 per cent, according to the Federal Statistics Office.

Bankruptcies have spread across most sectors of the west German economy – with the services industry particularly hard hit, followed by construction. Outstanding debts of bankrupt companies total DM1m (£400m).

■ The German finance minister, Mr Theo Waigel, said the D-Mark was under exaggerated upward pressure, Reuter reports from Bonn. In a speech prepared for delivery in Bonn, he said tight curbs in public spending would help to make lower interest rates possible. "Lower interest rates would remove the exaggerated upwards pressure on the mark. The competitive situation of our companies will also be noticeably improved as a result," he said.

Hungary again devalues forint

Hungary yesterday devalued the forint by 1.9 per cent, bringing the accumulated depreciation this year to 5.5 per cent, writes Nicholas Denton in Budapest.

The National Bank of Hungary, the central bank, ruled out further adjustments this year, despite calls for greater depreciation by export-oriented western multinational companies operating in Hungary. The Bank, however, explained that its policy of maintaining a strong exchange rate would maintain downward pressure on Hungarian inflation, expected to reach 22-23 per cent by year end.

Swedish business urges tax cuts

The Federation of Swedish Industries yesterday called on the government to take further measures to haul the country's economy out of crisis, writes Christopher Brown-Humes in Stockholm. It proposed cutting taxes by SKr30bn (£3.3bn) and financing the move by a SKr50bn reduction in public expenditure.

It also asked for a further 5 per cent cut in employers' social contributions to increase industry's competitiveness. Their contributions were reduced by 5 per cent in September.

French blast kills at least five

Explosions rocked a big oil refinery near the southern French port of Marseille early yesterday, killing five people and seriously injuring one, the refinery's owners said, Reuter reports from Marseille. Eight people were on duty at the time of the blast and one was still missing, the French oil company, Total, said in a statement. The eighth person was safe. The explosions were believed to have been caused by a gas leak. More than 250 firefighters took more than three hours to bring the fire under control.

Paris hearing clears Bluebeard

Some 552 years after he was hanged and burned in France for 150 murders, the man who served as model for the literary Bluebeard got his day in court again yesterday – and was cleared, Reuter reports from Paris. A self-styled court, including magistrates and a former justice minister, found that Gilles de Rais, a top battlefield companion of Joan of Arc, had been wrongly convicted. The outcome of the somewhat surrealistic hearing, held in the French Senate building, prompted the court to call on the government to "re-establish historical truth" and revise school textbooks.

Jewish students take part in a march by 30,000 Italians in Rome yesterday to protest against anti-Semitism and racism. The march took place on the 54th anniversary of Kristallnacht ('night of shattering glass') that marked the start of the Nazi onslaught against German Jews in 1938

Rallies mark 'Kristallnacht'

By Quentin Peel in Bonn and Reuter

ABOUT 100,000 Germans, marking the grim anniversary of a 1938 Nazi pogrom that was the harbinger of the Holocaust, staged rallies yesterday against right-wing violence, seen by Jews as a danger to German democracy.

Germany used the occasion to confirm it would pay DM975m (£395m) to Jewish victims of Nazi persecution who previously received little or nothing because they had lived in former Communist bloc states.

Yesterday's rallies in Cologne, Dresden, Munich and other cities to commemorate the pogrom 54 years ago, named "Kristallnacht" ("night of the shattering glass) by Hitler's cohorts, followed Sunday's mass protest in Berlin against neo-Nazism which was disrupted by 400 anarchists who hurled eggs, vegetables and paint bombs at government ministers.

Germany reacted with dismay yesterday to the public relations disaster which resulted from Sunday's Berlin rally.

While political leaders insisted the scale of the 300,000-strong demonstration was an overwhelming statement of the country's opposition to neo-Nazi attacks on foreigners and asylum-seekers, the media saw the violent protests by left-wingers as a terrible blow to Germany's international image. The extreme left celebrated the event as a triumph for their tactics of "exposing the hypocrisy of the politicians", and undermining the deliberate "propaganda show" of the political establishment.

The sorry end to what had been an impressive and powerful display of national disgust for the recent rash of violent skinhead attacks on refugee hostels has unleashed a new wave of questioning over the ability of the main political parties to solve the country's acutely sensitive immigration problem. The conservative newspaper Die Welt called the outcome "a black Sunday" in a special front-page commentary.

The Frankfurter Allgemeine Zeitung called it "an awful spectacle," and demanded action against the anarchists.

Irish poll gives little comfort to Reynolds

By Tim Coone in Dublin

THE first opinion poll of the Irish election campaign yesterday did little to boost the hopes of Mr Albert Reynolds, the prime minister, of winning an absolute majority for his Fianna Fail party for the first time in 15 years.

The poll showed voter satisfaction with the government at just 23 per cent, the personal rating of Mr Reynolds dropping 20 percentage points in two weeks to 30 per cent, and only 37 per cent of voters wanting to see Fianna Fail win with an absolute majority.

The personal feud of honour between Mr Reynolds and Mr Des O'Malley the leader of the Progressive Democrats, which brought about the coalition collapse last week, has not helped the cause of either and in the public's eye precipitated an unnecessary general election on November 25. Most voters appear to believe neither leader in their differing versions of events given to a parliamentary inquiry into the beef industry, which caused the coalition split.

The most popular figure of the campaign so far is Mr Dick Spring, the leader of the Labour party, who polled a 66 per cent "satisfaction rating" against 31 per cent for Mr Reynolds, 30 per cent for Mr John Bruton, the Fine Gael leader, and 39 per cent for Mr O'Malley, according to Irish Marketing Surveys which conducted the nationwide poll.

While the party leaders exchanged their first salvos of the campaign from TV and radio studios in Dublin over the weekend, it appeared that only the Labour party had got off the starting blocks in the countryside. Labour party activists could be seen canvassing Mass-goers outside churches in Mr Reynolds' own constituency of Longford. Others were out fixing freshly-printed Labour party campaign posters to lampposts along the main roads.

Mr Bruton, launched his party's manifesto last Friday promising I£270m in tax concessions and incentives aimed at reducing the country's record jobless figures. The proposal was immediately attacked by Mr Bertie Ahern, the finance minister, who said that these could only be financed either through increased taxes in other areas, by reneging on public sector pay agreements in 1993, or freezing planned social welfare increases.

Mr Proinsias de Rossa, the leader of the socialist Democratic Left party, dismissed Mr Bruton's proposals as "shifting the deckchairs around on the Titanic".

Fianna Fail has been by far the slowest off the mark and will not have its manifesto ready until the middle of the week, while Mr Bruton has already set off on a two-week nationwide tour to visit every constituency in the country to sell his message. Arguably he has a harder job, as only 23 per cent of voters appear to support Fine Gael, against 47 per cent wanting Fianna Fail either to have an absolute majority or to lead a coalition. Labour polled 15 per cent, up from 9 per cent in the 1989 elections.

Fianna Fail has consistently won more than 40 per cent of the vote since the 1930s. Under Ireland's single transferable vote system and multiple seat constituencies, 47 per cent could be enough to win Fianna Fail an absolute majority.

Showdown in Austria on issue of foreigners

By Ian Rodger in Vienna

THE ROW in Austria over the government's policy towards immigrants and refugees will come to a head tomorrow when the radical Freedom Party, led by the charismatic Mr Jörg Haider, proposes the formation of a parliamentary committee to study the controversial foreigner issue.

Mr Haider has said he will postpone until the end of the year his threat to launch a national petition to toughen immigration policy if the commission is formed. But Mr Franz Vranitzky, the chancellor and leader of the Democratic Socialist Party, said he would only agree to the committee being formed if the FPO cancelled its threatened petition campaign. On Sunday, Mr Vranitzky led hundreds of people in mounting a ceremonial guard at a Jewish cemetery in Eisenstadt where vandals sprayed anti-Semitic slogans on gravestones.

"This country is the home of all who were born in it and the home of all those born elsewhere, but who live here," Mr Vranitzky said. "Whoever desecrates a cemetery, shames both the dead and the living."

Mr Haider has outlined 12 demands, including that the government halt all immigration, expel illegal immigrants and limit the proportion of foreigners in any school class to 30 per cent. The issue has been brought to the fore by the arrival of large numbers of refugees from former Yugoslavia.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1. Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Move to oil wheels of single market

By Andrew Hill in Brussels

BRITAIN will try today to accelerate plans to make the single European market, due to come into force next January 1, both efficient and user-friendly.

At today's meeting of internal market ministers, Mr Richard Needham, UK trade minister responsible for the internal market, will present his counterparts with a series of ideas, including calls for:

- Commission proposals to ensure the smooth running of the market;
- regular reports on implementation, which might embarrass laggard member states into turning EC legislation into national law;
- greater transparency, and an improved contacts between EC members to deal with complaints and problems.

Britain, the current Community president, will also suggest that an analysis of the effectiveness of the internal market should be carried out in 1996. British officials yesterday described it as "a Cecchini report Mark Two" – a reference to the 1988 analysis of the benefits of market integration which helped underpin the Commission's single market proposals.

Some countries (said to include Spain and Italy) believe it may be too early to make such plans while member states and Brussels are still discussing subsidiarity, the principle that EC decisions should be taken at the lowest appropriate level.

The resolutions are supposed to be complementary to the recent Sutherland report on implementation, which recommended improvements to consumer rights, streamlining of EC law and enforcement of directives through national courts. A fuller response to that report will be made in the first half of 1993.

Mr Peter Sutherland, the ex-commissioner who chaired the report committee, is among many who fear that a strong and fair internal market will be undermined if member states use the pretext of subsidiarity to assert their own national interests over those of the Community.

- Ministers will also try to reach agreement today on two long-awaited and much-debated measures which will allow cross-border movement of cultural goods, and the free movement of pharmaceuticals.

Delors scales down EC revenue plans

By David Gardner in Brussels

THE EUROPEAN Commission moved to avert another damaging row within the Community yesterday by scaling back its plan to increase revenue by a third over five years, suggesting instead a smaller rise over seven years.

Mr Jacques Delors, Commission president, made his more modest proposal in line with sharply downgraded EC growth projections. The new plan is designed to meet objections by the richer northern countries, while still satisfying the aspirations of the poorer countries – Spain, Portugal, Ireland and Greece – which had been promised a doubling of fiscal transfers under the original proposals.

The Commission's move comes as the 12 face simultaneous crises on the Uruguay Round trade talks and ratification of the Maastricht treaty on European union. Member states' approval of the so-called Delors II package was being seen as a test of political will among the 12.

A majority of the 12 foreign ministers meeting in Brussels yesterday agreed that the new plan had a reasonable chance of being hammered into a deal at the Edinburgh summit next month.

The main discordant reactions yesterday were towards a UK presidency draft conclusion for the summit, saying that midway through the period covered by the revised plan, "economic and social cohesion . . . will increasingly depend on the application of sound economic policies, and decreasingly rely on structural transfers".

Mr Delors in effect put back on the table a refined version of the compromise he withdrew, amid some acrimony, at the Lisbon summit in June.

The original Delors II package called for an increase in the EC budget from Ecu66.6bn now to Ecu 87.5bn (£70.7bn) in 1997, at today's prices. The new plan would raise the budget to Ecu80.2bn in 1997 – an increase of barely 21 per cent – and only Ecu86.2bn by 1999.

The revised seven-year package would begin with two flat years, with EC spending adjusted downwards in line with increases in Community growth of 1.1 per cent this year, 1.4 per cent next year and an estimated 2.2 per cent in 1994. The original package assumed five years' growth at an average of 2.5 per cent.

If the revised package is accepted, less will go to farm spending and nearly Ecu1bn will be switched from the proposed increase in research and development spending to keep the EC's "cohesion" effort funded at this level.

An autograph hunter causes some merriment at a ceremony in Berlin yesterday to grant honorary citizenship to former Soviet President Mikhail Gorbachev (left), former US President Ronald Reagan and Chancellor Helmut Kohl (centre) to thank them for bringing down the Berlin Wall. Also in the picture is Mr Gorbachev's wife, Raisa, and Berlin's mayor, Mr Eberhard Diepgen.

UK-Russia treaty lays the ground for wide co-operation

By Anthony Robinson, Robert Mauthner and Richard Lambert in London

BRITAIN and Russia yesterday turned their backs on the legacy of Cold War suspicion and signed a new bilateral treaty pledging peace, friendship and wide-ranging co-operation.

The treaty, signed at Downing Street by Mr Boris Yeltsin, Russia's first democratically elected president, and Mr John Major, the British prime minister, was the first such document since the 1766 Alliance of Amity and Commerce with Czarist Russia.

The two leaders also signed five other agreements covering fields as diverse as a new telephone hot-line between Downing Street and the Kremlin, and measures to improve economic and military co-operation and the safe transport of nuclear weapons destined for destruction.

Later Mr Yeltsin called on British businessmen to increase their involvement in the emerging Russian market economy and pledged to speed up payments owed to British exporters, with priority for smaller companies. He also told his City audience at the Stock Exchange that Russia needed help to reschedule its foreign debt. Until now discussions on debt rescheduling have focussed on debt incurred before January 1, 1991. Mr Yeltsin asked creditors to move the cut-off point to December 8, 1991, the formal demise oi the Soviet Union.

So far, both government and commercial bank holders of the former Soviet Union's estimated $70bn-$80bn foreign debt have been reluctant to include debts contracted in 1991 in any agreement. Germany, in particular, made large loans in this period to help finance homes for Soviet troops leaving east Germany and to prop up Mr Mikhail Gorbachev.

Mr Yeltsin said his government planned to cut value added tax from 28 to 20 per cent in January and reduce profits taxes. Although Russia still faced huge problems, "the worst of our economic problems are now behind us" he said, referring to the wave of privatisations and market reforms. "Not everyone has strong nerves. But we do have patience, commonsense and the ability to learn how to live a normal economic life."

The president, who faces a bruising political struggle with conservatives over both economic and foreign policy at next month's session of the Congress of Peoples Deputies, appeared heartened by the warmth of his reception in London. "We agreed on everything, on economic, financial, political, ecological and military fields, everything," he said, thanking Mr Major for his "profound understanding of Russia and its reforms".

In the economic sphere the two sides agreed to set up a UK-Russian inter-governmental steering committee on trade and investment, in which businessmen would be directly involved. Mr Major said several big contracts for UK companies were "looking promising".

John Brown, the engineering company is "to go ahead with some urgency" in a venture with Gazprom, the Russian gas enterprise, to build a polyethylene complex at Novy Urengoi with support from the ECGD which, Mr Major said, now has £280m available to support trade with the former Soviet Union. Gazprom in turn is expected to place orders with Rolls Royce for replacement gas turbines and spares for gas pipeline transmission.

ECGD support was also pledged for a new Moscow airport terminal at Domodedovo, and the Comstar telephone modernisation project.

Need for finance is key element in pact

THE AGREEMENT on economic co-operation, signed by British and Russian ministers yesterday, lays down a new formal framework for the promotion of co-operation between the two countries, writes Robert Mauthner, Diplomatic Editor.

In particular, the two parties acknowledge the significance of financing – including providing medium and long-term credits – for "steady and effective" economic co-operation. In the framework of national rules and international arrangements, they agree to provide export credits on "suitably favourable terms".

They also recognise the importance of the development of infrastructure, including both national and international transport and communications systems. Companies and organisations will be encouraged to participate in projects to improve the infrastructure, including co-operation in securing funding from international organisations.

Each party agrees to provide legal protection for investment by nationals of the other country in accordance with the 1989 Agreement for the Promotion and Reciprocal Protection of Investments.

Croats cut Serb supply link

By Laura Silber in Belgrade

CROAT forces yesterday cut off the vital supply route linking Serb-held territories in Bosnia-Hercegovina and Croatia with Belgrade, the Serbian and federal capital.

Belgrade Radio said the Croats had severed the land corridor running across northern Bosnia from Belgrade to Banja Luka, military headquarters of Bosnia's Serbs. The radio also said Moslem fighters had cut off a main road running south to Pale, the Serb stronghold just east of Sarajevo, the Bosnian capital.

Despite earlier ceasefire agreements between Serb and Croat forces, which control some 25 per cent of Bosnia-Hercegovina, fighting yesterday intensified around Croat-held Mostar and Serb-controlled Nevesinje in southern Bosnia.

Croatian Radio claimed Croat and Moslem forces had moved the front line deep into Serb-held territory.

In Belgrade, Mr Radovan Karadzic, the Bosnian Serb leader, yesterday announced a plan to end the war in Bosnia by freezing current front lines.

While the Geneva Conference on Yugoslavia has rejected the partition of Bosnia along ethnic lines, Mr Karadzic said the former Yugoslav republic had ceased to exist.

"This war is no longer being waged for the division of Bosnia-Hercegovina, because it has already been divided between the Serbs and Croats," he said.

The leader of the self-proclaimed Serb Republic, which covers some 70 per cent of Bosnia, appeared confident Serb forces could preserve their territorial gains even in peace.

Greece buys three frigates

By Kerin Hope in Athens

THE Greek Defence Ministry yesterday signed a contract to buy three second-hand frigates from the Netherlands navy for a total of Fl 380m (£140m), with delivery due by 1995.

The purchase is part of a £1bn modernisation programme for the Greek navy, which calls for adding 12 frigates to a fleet currently based on destroyers and fast patrol craft, equipped with missiles.

Greece will pay cash for the Kortenaer class frigates, built in the early 1980s. But payment will be spread over eight years, with annual instalments starting at Fl 20m and rising to Fl 90m in 1995.

The frigates will be equipped with Sea Sparrow surface-to-air missiles, Harpoon surface-to-surface missiles, anti-submarine systems and a helicopter pad.

Mr Ioannis Stathopoulos, the Greek defence under-secretary, said yesterdaythe deal would help modernise the Greek fleet, which was "necessary in order to avert war and lay the foundations for peace in the region."

The frigate deal was preceded by the delivery of 170 Leopard tanks, handed over by the Netherlands to Greece under the so-called "cascade" redistribution of older Nato weaponry from western Europe. Greece has also agreed to buy 177 armoured personnel carriers from the Netherlands, at a reduced price.

Greece already has two Kortenaer class frigates, which took part in the Gulf war, patrolling in the Red Sea. Earlier this year, the Greek navy took delivery of two Knox-class frigates from the US, transferred free of charge under a bilateral military aid programme. Another US frigate will be given to Greece in 1993.

Meanwhile, Greece has received the first of four Meko-class frigates ordered in 1987 from Germany at a total cost of £800m. The other three are being built under licence at a state-owned Greek shipyard.

US fires new salvo in Gatt propaganda war

Report says deal would give sharp boost to processed French farm exports

By David Dodwell, World Trade Editor

SUCCESSFUL completion of the Uruguay Round would create an export boom for French farmers in the high-value processed products that account for 70 per cent of current farm exports, according to a report by US farm economists in Europe.

Independent farm experts said the report exaggerated potential gains, but agreed that as Europe's most efficient agriculture producers, French farmers could on balance see gains.

They said some of the gains would come at the expense of less efficient farmers in other parts of Europe – such as Germany or Spain – rather than through boosted sales to markets outside Europe.

The report comes at a time when French farmers are campaigning fiercely to prevent further dilution of the Common Agriculture Policy's farm subsidy regime. The collapse last week of ill-tempered US-EC negotiations on reform of Europe's agriculture subsidy system has triggered fears of a tit-for-tat trade war.

It is clearly intended to fuel the propaganda war between France, backed by other smaller farm exporters such as Spain and Ireland, and leading industrial exporters who fear the farm trade dispute will scuttle the ambitious Uruguay Round reform package, which embraces trade in a wide range of services, in textiles, improved settlement of international trade disputes, and cuts in tariffs and non-tariff barriers to trade.

The report predicts an export boom for French beverages, processed and fresh fruits and vegetables, and livestock products. These together accounted for exports worth FFr130bn (£15.5bn) last year – about 70 per cent of total farm exports.

"Potential gains for this already huge sector are staggering, and far outweigh even the most pessimistic French estimates of potential losses in the cereals and oilseeds sectors," the report says.

It says an extra 35,000 jobs would be created for every FFr5bn increase in exports.

Mr Jean-Marie Demange, agriculture counsellor at France's London embassy, said yesterday he was puzzled by projections of more farm jobs: the country's farming population is expected to fall from 1m at present to less than 700,000 within seven years, he said.

Dynamic regions such as Brittany could be expected to gain, as could the country's efficient poultry sector, he added – but this was only a small part of the farm sector.

European Commission president Jacques Delors (left) arrives in Brussels to discuss the looming transatlantic trade war

He insisted that while France was a strong producer of processed farm products, it could not be expected to perform well in marketing these outside Europe, since most farmers were small operators, with poor links to large groups with any international trading network. France at present imports more processed food products than it exports, he said.

The report also claims that CAP reforms will lead to higher demand inside the EC for cereals. It quotes EC studies predicting a 10m tonne increase in annual demand for cereals due to livestock feeding alone. This would more than offset the US demand for cuts in subsidised exports of cereals.

"Things are not going to be as bad as the French say, but nor are they going to be as good as the Americans say," Mr Jim Rollo, a farm trade expert at the Royal Institute for International Affairs in London, said.

"France will do well out of the realignment of EC agriculture, and is likely to gain a lot in Europe's internal market, perhaps at the expense of German, British or Italian farmers. But there is quite a lot of adjustment to go through."

ICI hopes risky gamble will pay off in Taiwan

By Paul Abrahams in Taipei

IMPERIAL Chemical Industries (ICI), Britain's biggest manufacturing company, yesterday opened its largest single product plant, a 350,000-tonne-a-year pure terephthalic acid (PTA) unit in Taiwan. The £150m facility, the biggest investment in Taiwan by a foreign group, is part of ICI's strategy of expansion in the Asia-Pacific region.

However, the investment - a substantial one, given the whole group allocated only £776m to capital expenditure last year - is a high-risk gamble. The group is expected to make a profit of only £610m this year, compared with £843m last year and a peak in 1989 of £1.5bn.

ICI's investment comes at a time when the market for PTA, used to manufacture polyester for textiles, bottles and films, is struggling. Since the plant's construction began in 1989 Asian prices have fallen by about 15 per cent to $540 a tonne.

The PTA price fall has been driven by slowing demand growth - down from 12 per cent a year in the 1980s to 8 per cent - and capacity increases.

In Asia alone, 10 PTA plants with a combined capacity of more than 2m tonnes a year have come on stream since 1989. Worldwide capacity is 9m tonnes a year, while demand is only 8m tonnes.

However, ICI, the world's second largest manufacturer of PTA after Amoco of the US, believes its investment is strategically correct.

"PTA is one of the few growth opportunities at present available in the petrochemical industry," Mr Mike Brogden, chief executive of ICI chemicals and polymers, said.

The British company is gambling that despite the present glut, a PTA shortage will occur in Asia during the mid-1990s. Regional demand is at present about 5.1m tonnes a year.

Although theoretically there is about 5.3m tonnes capacity in Asia, PTA is hard to manufacture and actual production is about 4.4m tonnes, ICI said.

By the middle of the decade, it hopes regional demand will be 6m tonnes a year with theoretical production also at 6m tonnes and actual production at 5.1m tonnes. Three new units with a combined annual capacity of 750,000 tonnes are due to come on stream before 1996, according to Mr David Hewitt, ICI's international PTA business manager.

ICI hopes any increase in Asian demand will not draw in extra imports from the US, currently some 700,000 tonnes a year.

"For once, we appear to have got our timing about right. We're probably coming on stream only six months too early," says Mr Hewitt. Asian PTA prices will tighten by as much as 15 per cent by 1995, he believes.

"We need to make cash at the bottom of the cycle and generate lots at the top. Even at present prices we are putting cash into the coffers."

ICI's PTA business, which now generates £200m turnover a year, is set for rapid expansion, Mr Brogden says. He expects PTA sales to rise to £320m by 1994 as annual production increases from 500,000 to 900,000 tonnes. Within five or six years, PTA will represent 25 per cent of the chemicals and polymers' annual turnover which was last year nearly £3bn.

The group's first PTA plant in Asia will not be its last, Mr Hewitt adds. The group will be looking to construct a new plant within five years. One possible location is China.

But before ICI can consider expanding further, its PTA business must pay its way. Sir Denys Henderson, chairman, warned yesterday the group was not interested in making investments that did not make money. Operations must generate significant profits to justify further capital spending.

IBM to push Sony standard

By Charles Leadbeater in Tokyo and Michiyo Nakamoto in London.

IBM, the US computer manufacturer, and Sony, the leading Japanese consumer electronics group, are co-operating to promote Sony's standard for CD-based multi-media technology.

IBM has announced that it will sell Sony's hand-held multi-media CD-ROM players in the US for which it has developed its own software. The two will be sold by IBM as a package. The Sony CD-ROM player was launched in the US in mid-September.

The decision by IBM to market Sony's CD-ROM player is an endorsement by IBM of Sony's standard, which is slightly different from an internationally agreed CD-ROM standard.

The link between two of the largest electronics companies has stirred excitement among industry circles over the possible formation of an agreement extending to the development of new software for Sony's consumer electronics products. Such an agreement could create the basis for a powerful electronics industry alliance.

The talks mark a further step in IBM's strategy to develop a network of international alliances with partners in Europe and Asia as part of its restructuring programme.

CD-ROM players are the hardware heart of multi-media machines which combine video, photography, data, animation and sound, by applying computing power to consumer electronic products. The computer software to bring together a variety of previously separate consumer products is vital to multi-media machines.

The emergence of multi-media has prompted software producers, many of them US companies, to forge new relationships with Japanese consumer electronics hardware manufacturers. Last month, Sony agreed with Nintendo, the video-game manufacturers, to manufacture and market a new game system that combine Nintendo video games with a CD-ROM drive.

Slower growth in consumer electronics and computer sales combined with high research costs and development, is forcing companies to forge international alliances.

Apple, the US personal computer maker, is also allied with Sony while IBM has teamed up with Sharp, to market a pocket sized communications device.

AT&T, the US telecommunications group and Matsushita, the world's largest electronics group last month unveiled an alliance to produce a pocket communicator.

OECD EXPORT CREDIT RATES

Minimum interest rates for officially supported export credits (%)

	Nov 15-Dec 14	Oct 15-Nov 14
DMark	8.24	8.77
Ecu	9.35	9.54
French franc	9.77	10.28
Guilder*	8.35	8.80
Guilder#	8.40	8.80
Guilder†	8.60	8.85
Italian lira	14.28	14.54
Yen	5.30	5.50
Peseta	14.61	14.12
Sterling	8.80	10.20
Swiss franc	7.37	7.67
US dollar*	5.64	5.42
US dollar#	6.60	6.38
US dollar†	7.15	6.96

*Up to 5 years.
#Five to 8½ years.
†More than 8½ years.
These rates are published monthly by the Financial Times, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days. SDR-based rates of interest are the same for all currencies. The SDR-based rate was changed on February 15 to 8.10 per cent. It will be subject to change on January 15, 1993.

Caricom reduces external tariff and pleases no-one

By Canute James, recently in Port of Spain, Trinidad

THE Caribbean Community (Caricom) has lowered the rates of a controversial tariff being applied to imports from third countries. However, the reduction has angered regional businesses which want continued protection, and is not expected to satisfy the community's critics, including the US, which want more substantial and immediate cuts.

At an extraordinary summit in Trinidad, the leaders of the 13 Caricom states agreed to reduce the top level of the common external tariff from the 45 per cent to between 30 per cent and 35 per cent, with all states committed to this reduction between January 1 and June 30 next year. This will be followed by a further reduction of the top rate to between 25 per cent and 30 per cent by 1995, with the rate falling to between 20 per cent and 25 per cent by 1997.

The Community, which has a market of 5.5m people, is made up of 13 English-speaking countries of the region, and is trying to create a customs union which the members have agreed is a prerequisite for a planned common market.

The Bahamas is not a party to the community's trading arrangements, and Belize has been granted permission to delay the implementation of the new tariff arrangements.

The new tariff structure is a compromise aimed at satisfying the deep division among community members. Jamaica, which had called for an immediate reduction of the top rate to 20 per cent, said the region's industry had to be made competitive.

Compromise in effort to move towards a common market

But some countries objected, saying their fledgling industries needed protection from cheap imports, while others said their budgets would be harmed by reduced revenues if import duties were cut.

Mr Patrick Manning, prime minister of Trinidad and Tobago, and chairman of Caricom, said the competing interests of all members had to be taken into account, and this explained the progressive cut in the top rates, spread over five years, rather than a more significant and immediate cut.

Having asked for an immediate and steeper reduction of the tariff, Mr P J Patterson, Jamaica's prime minister, said he had accepted the sliding scale, but would move immediately to a top tariff rate of 30 per cent in January.

However, regional business leaders who had objected to any reduction in the tariff rates, are angered by the Caricom decision.

"With a eventual tariff level of 20 per cent, very few manufacturers will be able to compete," complained Mr Neil Poon Tip, president of the Trinidad and Tobago Manufacturers Association. "We operate very small plants and our inputs also have an additional cost in freight charges."

Mr Bobby Khan, president of the Barbados Manufacturers Association, forecast business closures in the region, saying that the countries which have been pressuring the community for a reduction in the tariff rates would also lose markets in the Caribbean.

The Caricom decision is unlikely to satisfy Washington, which had said a more significant reduction in tariffs was needed if the community was to keep in step with changing trends in global trade.

Squabble puts back Japan's spending plan

By Charles Leadbeater in Tokyo

IMPLEMENTATION of Japan's supplementary budget – seen as critical to the government's emergency programme to prevent the economy falling into recession – was further delayed yesterday by the political power struggle set off by the Tokyo Sagawa Kyubin bribery scandal.

The start of debate over the supplementary budget, which is crucial to implementing a Y10,700bn (£54bn) emergency economic package announced in August, will be delayed until next week at the earliest, according to members of the Japanese parliament.

The delay is due to the ruling Liberal Democratic party's (LDP) failure to agree with the main opposition parties over a timetable for the supplementary budget to be discussed by the Japanese parliament's powerful budget committee.

The Diet convened on October 30 for a 40-day extraordinary session to pass the budget, which is needed to implement large-scale public works spending.

Ministry of Finance officials warned that prolonged delay could seriously undermine confidence.

But they said there were no plans for interim measures to help support stock market and business confidence.

The opposition parties, led *by the Social Democratic party*, are demanding that 10 LDP leaders give sworn testimony to the Diet over their alleged involvement in the Tokyo Sagawa Kyubin affair.

The opposition parties will be keen not to risk being blamed for holding up passage of the budget. But they are insisting LDP leaders should give sworn testimony to the Diet.

The LDP has proposed that unsworn testimony should be given to the parliament's ethics committee.

The likelihood that the Diet will hear evidence over the scandal means it will continue to create political uncertainty at a time when the Japanese *economy is on the verge of* recession.

The scandal has sparked a power struggle at the top of the LDP after a public outcry forced the resignation of Mr Shin Kanemaru, the former head of the largest LDP faction. Mr Kanemaru admitted he accepted a Y500m illegal donation from the company.

However, in the past week pressure has been mounting on other LDP leaders, particularly Mr Noboru Takeshita, the former prime minister and titular head of the largest LDP faction to clarify his role in the affair.

Last week Tokyo prosecutors pursuing a breach of trust case against former Tokyo Sagawa Kyubin executives read depositions in court which alleged several other LDP leaders were involved in dealings with the company which was linked to organised crime syndicates and right-wing nationalist groups.

Mr Kiichi Miyazawa, the *prime minister and LDP president*, yesterday played down suggestions that the party might take libel action against the prosecutors for reading the controversial depositions given by politicians of the far right.

Jordan conspiracy verdict due today

Trial could be a warning to militants, write **James Whittington and Mark Nicholson**

JORDAN's State Security Court is due to announce its verdict today in the most controversial political trial the country has seen for years. Two militant Moslem members of parliament and two merchants are accused of conspiring to overthrow the Hashemite monarchy with the intent of creating an Islamic state.

The MPs, Mr Leith Shbeilat, and Mr Ya'aqub Qarrash, face charges of belonging to an illegal Iranian-backed group – the *Shabab al Nafeer al Islami* (Moslem Youth for Mobilisation) – possession of weapons and explosives, undermining Jordanian-Iraqi relations and slander against the king.

Both men face a maximum *sentence, if found guilty, of* death.

Mr Shbeilat and Mr Qarrash have pleaded not guilty while the two other defendants say they are guilty only of possessing weapons which they insist were for use in the occupied territories against Israel.

After a month of controversial and often fiery sittings, the outcome of the trial, the first of its kind to be held in public, is seen by many as a serious test of Jordan's embryonic democracy and, perhaps, of the degree to which the authorities in Jordan may seek to circumscribe its limits.

The verdict comes just days after King Hussein, in his first speech since returning to Amman from cancer surgery in the US, laid out his vision of Jordan's future as an exemplary democratic state in the region.

From the outset, the case has been riddled with conspiracy theories. Mr Qarrash and Mr Shbeilat claim that the trial has political motivations and the proceedings have been reproached by *many as unconstitutional*.

Many Jordanians have expressed the hope that the King himself, as formal head of the kingdom's judicial system, should somehow intervene in the case. In a recent FT interview, King Hussein said he was "keeping a close eye on what is happening to see what can be done". He added: "I don't think anyone should worry, we are totally committed to democracy, to pluralism, to human rights."

Prosecution evidence collected by the General Intelligence Department (GID), otherwise known as the Mukharbarat, includes bugged telephone conversations and a secret witness, a Mr Yassin Ramadan Yassin, who claimed to have carried $200,000 from Iran to Mr Shbeilat last April.

After questioning Mr Yassin during a closed session of the otherwise open court last month, Mr Shbeilat and Sheikh Qarrash's lawyers withdrew from the case in protest at what they described as "terrorism of the defence" and the two MPs began a hunger strike.

The court-appointed lawyers who presented the defence's summation were rejected by both MPs as "not understanding the case".

Although Mr Qarrash and Mr Shbeilat are friends who share not only religious convictions but also an office in Amman, they are, in the eyes of the Jordanian public, as different as chalk and cheese. Mr Qarrash is known for his religious zeal and controversial business practices and, aside from the fundamentalists, few would mourn if he were found guilty.

Conviction of Mr Shbeilat, on the other hand, a successful civil engineer and by far the most popular MP in the 80-member lower house of parliament, could prove more explosive. There have already been demonstrations outside the court protesting his innocence and the return of a guilty verdict could provoke a backlash.

Many Jordanians believe the *trial to be a warning shot to* Islamic militants who won 33 seats in the 1989 parliamentary elections and, with the recent legalisation of political parties, are successfully gathering support for general elections in November next year.

Mr Shbeilat's supporters believe the trial is a counter-action to the MP's calls for constitutional reform and his involvement in a parliamentary committee which investigated corruption charges against a number of former ministers, including Mr Zaid Rifai, a former prime minister.

Even some of Mr Shbeilat's political opponents, among them some senior Jordanians, believe the case against the popular MP to be weak at best and even possibly contrived.

Mr Abdul Karim Dughmi, lower house deputy speaker and former minister, one of Mr Shbeilat's original defence lawyers, argued: "I am definitely sure that the case against Shbeilat was a conspiracy by certain powerful sides in the government to silence him *politically*."

Government sources insist, however, that the evidence against the defendants could not have been ignored. "The threat of militant fundamentalists is a real one," said one senior figure. "If democracy is to succeed then we have to accept the judicial system."

Political council for Bahrain

By Mark Nicholson, Middle East Correspondent

BAHRAIN is set to become the latest Gulf state to announce fresh moves towards wider political participation by unveiling details of a 30-seat consultative council next month.

Sheikh Isa bin Sulman al-Khalifa, Bahrain's emir, told the Saudi newspaper Asharq al-Awsat he was "serious" about naming the council, which would be announced "very soon."

Senior Bahraini officials said a decree establishing the council, all members of which will be appointed by the emir, would be issued in December.

The council is expected to have a purely advisory role and diplomats said yesterday the state's rulers appeared to be moving with great caution in establishing the new body.

It will be the first broadening of political participation in the Gulf state since the emir suspended Bahrain's first elected parliament just two years after its formation in 1973, claiming the body's internal arguments were obstruct*ing government*.

Oman last year set up its first consultative council, while King Fahd, the Saudi ruler, recently named the speaker for a 60-member advisory body, appointments to which have still not been announced. Kuwait last month held its first general elections since 1985.

Middle East peace talks reopen amid uncertainty

ARAB-ISRAELI peace talks resumed yesterday overshadowed by new violence in Lebanon and uncertainty over the transition of power from President George Bush to President-elect Bill Clinton, Reuter reports from Washington.

The seventh round of talks since last year's Madrid peace conference reconvened after a 12-day pause for the US presidential election and is due to continue until November 19.

Mr Itamar Rabinovich, Israel's chief negotiator in talks with Syria, was in tough mood, seeking a statement that Damascus was not involved in weekend clashes in Lebanon.

Pro-Iranian guerrillas had fired salvos of Katyusha rockets into northern Israel and Israel's south Lebanon security zone late on Sunday in apparent retaliation for an Israeli air raid that killed four guerrillas.

Mr Rabinovich said Israel had not changed its positions in this round despite a deadlock with the Syrians on their demand for a total withdrawal from the occupied Golan Heights and Israel's counter-demand for a Syrian commitment to sign a peace treaty.

Israel is negotiating with Jordan, Lebanon and Palestinians from the occupied territories, as well as Syria.

Few people expect breakthroughs before the Clinton team is in place. If they are contemplating any significant concessions, the parties might want to keep them up their sleeves until then. By the same token, it is in nobody's interest to annoy the new US leader by provoking a crisis.

An elderly protester wields his umbrella in a 1,000-strong demonstration yesterday demanding that the South Korean government secure full compensation from Japan for after-effects of its invasion in the second world war. South Korean president Roh Tae-woo met Japanese prime minister Kiichi Miyazawa in Kyoto on Sunday, but the issue apparently was not addressed

Israel to settle for 10% inflation rate

By Hugh Carnegy in Jerusalem

ISRAEL will settle for near 10 per cent inflation next year - a rate well above that in its main European and US trading partners – in a drive to sustain growth and reduce record 11 per cent unemployment caused by mass immigration from the former Soviet Union, the Governor of the Bank of Israel said yesterday.

Mr Jacob Frenkel said he was not "playing a game of trade-offs between unemployment and inflation" because inflation would stay on a downward path. But a dramatic fall in the rate this year to an expected 11 per cent, from 18 per cent in 1991, allowed for a period of "consolidation" when inflation would fall less quickly. "We are very very sensitive to the social and economic dangers that high and sustained unemployment can bring to the nation," he said in an interview.

He was speaking after the Labour-led government moved to bolster growth, which is set to reach about 6 per cent in real terms this year, by announcing it would let the value of the shekel fall by 11 per cent over the next year. It also announced a package of tax cuts and incentives for the business sector.

These included a cut in VAT from 18 to 17 per cent from the start of next year, a four point cut in the corporate tax rate to 36 per cent spread over the next four years and 50 per cent rise in depreciation rates allowed on fixed assets for tax purposes.

Mr Frenkel said he fully backed the measures. The prior announcment of the rate of shekel devaluation over the coming 12 months continued a policy of a "diagonal crawling peg" in place for the last year. It combined "flexibility and stability" while excluding damaging sudden lurches in exchange rates, he said.

Although the projected devaluation will more than cover the difference between domestic inflation and infla*tion in Israel's main export* markets, the Manufacturers' Association said it was not enough.

Lebanese PM vows to free south

LEBANON'S billionaire prime minister declared war on corruption, inflation and illegal speculation yesterday and promised to push for an Israeli withdrawal from the south, Reuter reports from Beirut.

Mr Rafik al-Hariri, a banking and construction tycoon with Saudi royal links, told MPs the main goals of his new government were to free the south and a return to prosperity.

He said the cabinet was intent on "liberating the land from occupation, liberating the state from the aftermath of the war, liberating the administration from corruption and the citizens from the effects of chaos" following 15 years of civil war. Mr Hariri, whose $4bn (£2.5bn) fortune puts him among the world's 100 richest men, is expected to win a vote of confidence in parliament for his government by a landslide later this week.

Speaking after pro-Iranian guerrillas had fired rockets into Israel and its "security *zone" in south Lebanon*, Mr Hariri endorsed the right of the Lebanese to fight Israel's occupation by all means.

Taiwan tightens investment rules for foreigners

TAIWAN is tightening its screening of foreign investment applications and bids for infrastructure contracts to block projects by companies with large mainland Chinese shareholdings, officials said yesterday, Reuter reports from Taipei.

"We are screening foreign investment applications prudently to prevent Communist Chinese capital from slipping through," said Mr Chen Ming-pang, secretary-general of the government's Investment Commission.

Foreign companies would be ordered to withdraw existing investments in Taiwan if they were found to have major Chinese shareholdings.

Companies with big Chinese investments will also be blocked from bidding for contracts under Taiwan's six-year, $300bn (£193.5bn) development plan, economics ministry officials said.

Taiwan has curbed economic contacts with China since the end of the civil war in 1949. Under a law passed in July, companies with combined Chinese shareholdings of more than 20 per cent are banned from investing on the island. Local newspapers have said *Chinese capital is avoiding* restrictions, entering Taiwan through Chinese-invested companies in third countries.

Indonesia attacked on E Timor human rights

AMNESTY International said yesterday that Indonesia has arrested hundreds of suspected *supporters of independence for* East Timor ahead of the first anniversary of the November 12 massacre by Indonesian troops, Reuter reports from Lisbon.

The London-based human rights group said Indonesia tortured political detainees and had failed to honour United Nations resolutions and recommendations on the former Portuguese colony.

"Torture and ill-treatment of political detainees continues to be both common and routine," Amnesty said in a statement, made available to Reuters in Lisbon.

"In the weeks prior to the anniversary of the massacre; the authorities arrested hundreds of suspected suporters of *East Timor's independence* to prevent them from publicly and peacefully expressing their political views," Amnesty said.

Indonesia invaded East Timor in 1975 a few months after the departure of Portugal's colonial administration and annexed the territory of 750,000 people a year later.

On November 12 last year, Indonesian troops fired on a crowd of anti-Indonesian demonstrators at a cemetery in the East Timor capital Dili, provoking international outcry.

Eyewitnesses said up to 180 people were killed, but an official Indonesian report said 50 had died.

BJP challenges the Indian government over early election

By Shiraz Sidhva, recently in Bhubaneswar, India

INDIA'S opposition Bharatiya Janata Party (BJP) has stepped up its confrontation *against the ruling Congress* party, accusing it of "utter failure on the political, social and economic fronts".

At a weekend meeting in the temple town of Bhubaneswar in the eastern state of Orissa, the BJP directed party workers to be prepared for elections in the near future. It was especially strident in its criticism of Prime Minister P V Narasimha Rao's economic *reform programme, which it had ear*lier supported.

The Congress party retorted that it was fully prepared to meet the challenge of a mid-term election. It said it was "not afraid of the BJP's hollow threats," and that Mr Rao's policy of consensus politics should not be misconstrued as weakness.

The BJP lacks the strength in the lower house of parliament to topple *the Rao government. No other politi*cal party is thought seriously to want an election so soon after the general election last year.

The BJP accused the government of "practically no performance" in the agrarian and industrial sectors, and of having failed to increase exports or control inflation and foreign debt.

It said rises in petroleum and fertiliser prices had played havoc in the economy.

Mr L K Advani, leader of the opposition in the lower house and de facto head of the BJP, said his party was confident that it could convince the people that the Congress government, "with its dismal record in Kashmir, Assam, Punjab and Ayodhya, could not hold the country together".

The Ayodhya temple issue, which has contributed to the BJP's growth *in influence over the last two years*, threatens to reach another flash-point on December 6, with Hindu militants planning to resume construction of the temple in defiance of court orders.

Khmer Rouge shatters $2bn UN peace plan

Brutal rebel group grows stronger in its north Cambodian fastness, **Victor Mallet** reports

ONLY a few days ago it was still easy to find United Nations officials and western diplomats who believed that the left-wing Khmer Rouge guerrilla group would stop defying the UN and start co-operating with the Cambodian peace plan agreed in Paris in October last year.

The Khmer Rouge, already notorious for causing the deaths of an estimated 1m Cambodians when it ruled the country between 1975 and 1978, has in the past seven months repeatedly flouted a nationwide ceasefire, fired on UN helicopters, and sabotaged bridges. It has also refused to allow UN forces access to the areas it controls and refuses to disarm its troops in accordance with the peace agreement.

But the optimists persistently argue that the Khmer Rouge was merely playing for time and making last-minute *"tactical moves" to consolidate* its recent territorial, political and economic gains before yielding to the UN and taking part in the elections scheduled for next May – elections which the Khmer Rouge was confi*dently expected to lose*.

Such hopes were dashed over the weekend by *the failure of* the international talks in Beijing aimed at bringing the Khmer Rouge to heel.

Mr Khieu Samphan, the nominal Khmer Rouge leader, ignored the pleas of the various sponsors of the Paris peace accord, shrugged off a UN deadline of November 15 for Khmer Rouge compliance and said his organisation would not participate in the elections "in the prevailing conditions".

The consequences of continued Khmer Rouge intransigence are likely to be severe, both for the credibility of the UN, which is committing more than 20,000 troops and civilians and $2bn to the largest peacekeeping operation in its history, and for the future of Cambodia as it struggles to emerge from two decades of war.

"I'm finding it harder to maintain my optimism," a western diplomat who follows *events* in Cambodia said yesterday. "The Khmer Rouge appears to have concluded that the whole election process will not be to its benefit."

One immediate worry for the UN Transitional Authority in Cambodia (Untac) is that the other three Cambodian factions will start to reverse the disarmament process, which they had begun without the Khmer Rouge. About 55,000 troops, most from the Vietnamese-installed administration of Mr Hun Sen, have reported to cantonment areas, out of about 450,000 soldiers and militiamen in the four factions.

Hun Sen, head of the Vietnamese-installed administration in Cambodia, told a news conference in Bangkok yesterday on his way back from peace talks in Beijing that a full-scale resumption of civil war could be imminent following the failure of international efforts to convince Khmer Rouge guerrillas to co-operate in the UN-sponsored peace process. Reuter reports that Hu Sen said that "right now we are not at war but, if no immediate measures are taken, there might be a renewal of war."

The UN is now casting around for ways to prevent the entire accord unravelling. The first step is likely to be a UN Security Council meeting this month to consider the possibility of imposing economic sanctions on the Khmer Rouge, which has been building up financial reserves by selling *gems* and timber from the territory it controls to Thai businessmen across the border.

The new Thai civilian government has said it will try to implement whatever the UN decides, but doubts remain over whether a formal closure of the frontier would have much impact on the trade between the Khmer Rouge and Thailand. The rugged border makes control of smuggling hard at the best of times, and the Thai armed forces which supervise the area will be reluctant to forgo the "protection money" they earn from Thai entrepreneurs who deal with the Khmer Rouge.

Another course of action being considered by the sponsors of the Cambodia peace plan is a rewriting of the original accord in order to exclude the Khmer Rouge. This was previously regarded as out of the question because of the enormous efforts needed to negotiate the original plan.

"Now that we have been unable to reach agreement. . .some appropriate adjustments must be made to the Paris agreements," Mr Ali Alatas, Indonesia's foreign minister and one of the chairmen of the Paris peace conference, said after the failure of the Beijing talks.

The danger of excluding the Khmer Rouge once for all, western diplomats say, is that it would be free to denounce the election results, then bide its time in the fastnesses of northern Cambodia until the UN is forced by a shortage of funds to extricate itself from the country, and ultimately challenge the future elected government.

The Khmer Rouge has been stridently emphasising its nationalist credentials and successfully exploiting popular distrust of neighbouring Vietnam by blaming the Vietnamese government and the numerous Vietnamese settlers inside Cambodia for most of Cambodia's problems, and for its own intransigence.

Critics of UN operations in Cambodia say Untac officials have consistently over-emphasised the weaknesses of the *Khmer Rouge, have been* fooled by repeated Khmer Rouge hints that the organisation was on the verge of co-operating with the UN, and have failed to use even the threat of military force to tackle blatant Khmer Rouge violations of the peace accord.

They have also, critics say, played into the hands of Khmer Rouge anti-Vietnamese propagandists by leaving too much authority in the hands of the Hun Sen government, which is, in terms of the peace accord, only one of the four factions.

While UN officers speak of Khmer Rouge guerrillas defecting in search of food and money, Mr Raoul Jennar, a Brussels-based consultant who monitors Cambodian affairs, says that the Khmer Rouge is poaching troops from the other, less-belligerent factions and now has a presence in 20 of the 21 provinces. "Today," he wrote recently, "the Khmer Rouge display the contempt with which they hold the concern that has been shown to them by the governments and diplomats from the 18 countries who *signed the* peace agreement."

After the election, the race is on to join the purse-strings committees

Congress leaders jostle for power

By George Graham in Washington

THE transition team of President-elect Bill Clinton is moving cautiously towards the creation of a new administration, but in the legislative branch of the US government, congressional leaders are wasting no time regrouping after last week's elections.

New senators flew to Washington yesterday to be sworn in, and Speaker Thomas Foley went with other Democratic leaders to Chicago to meet the House of Representatives' new intake.

While the new members were being inducted, the veterans of Capitol Hill were already jockeying for position. House members began yesterday picking over – in strict order of seniority – the list of vacant office suites, and elections are due to be held today for several key Senate party posts.

Most of the posts are uncontested, but a fierce, if covert, battle is being waged by Senator Mitch McConnell of Kentucky to oust Senator Phil Gramm of Texas from the chairmanship of the National Republican Senatorial Committee, which Mr Gramm has used to launch his 1996 presidential campaign.

Most critical of all, however, is the allocation of committee assignments next month, with an unusual number of open seats on the prized financial committees up for grabs.

The committees that preside over taxation and spending – the House ways and means committee and the Senate finance committee for taxation, and the appropriations committees of both chambers for spending – wield enormous influence because of their control over the purse strings.

The Senate appropriations committee has seen relatively little turnover, but 13 of the 59 members of the House appropriations committee have retired and six more were defeated in primaries or elections. They include three chairmen of the subcommittees that control spending in specific sectors.

Among those stepping up will be Congressman Bob Carr of Michigan, expected to become head of the transportation subcommittee, and Congressman Louis Stokes of Ohio, who will take over the veterans, housing and independent agencies subcommittee, which includes the space budget in its domain.

One critical question is the future of 82-year-old Congressman Jamie Whitten, who chairs the full appropriations committee and its agriculture subcommittee. He was compelled by illness during the last Congress to hand over day-to-day responsibilities to Congressman William Natcher of Kentucky, a year older but much fitter.

Some Democrats are urging a breach of the normal seniority rules to place a younger member, such as Congressman David Obey of Wisconsin, in the committee's chair. The senior Republican on appropriations, Congressman Joseph McDade of Pennsylvania, could also be ousted because of his recent indictment on charges of bribery.

No such coup is expected against Congressman Dan Rostenkowski, chairman of ways and means, but of his committee's 36 members, 13 have left Congress. The selection of new members to replace them will be particularly important because of ways and means' jurisdiction over health care issues, which are expected to be high on the agenda of both the Clinton administration and the new Congress.

US savings and loan supervisor to step down

By George Graham

MR Timothy Ryan said yesterday that he would step down next month as director of the US Treasury's Office of Thrift Supervision after three years in charge of the recovering savings and loan industry.

Mr Ryan told the annual meeting of the Savings and Community Bankers of America in San Diego that the overhaul of the S&L, or thrift, industry was "virtually complete".

"Together we have made the savings and loan business into an industry of strong, well-capitalised, profitable institutions," he said in the text of a speech prepared for delivery yesterday.

Four years ago, Mr Ryan said, the 3,100 thrifts in the US were between them losing more than $1bn (£645m) a month.

Their capital amounted to just 0.33 per cent of their combined assets of $1,300bn.

In the first half of 1992, he said, the 2,000 surviving thrifts made $2.8bn in profits. Capital amounted to 5.7 per cent of their much trimmed combined assets of $840bn.

The S&L crisis, however, is not yet over for the US federal government. Mr Ryan's office continues to send failed thrifts into liquidation under the auspices of the Resolution Trust Corporation, but the last Congress failed to vote an additional $43bn for the RTC, which has been without new funds since April 1.

The Bush administration estimates that the failure to authorise new funds is adding $4m-$6m a day to the ultimate cost of the crisis by preventing regulators from closing savings and loan businesses as quickly as they would like.

The Congressional Budget Office projects the total cost of the S&L bailout at $195bn up to 1998.

Mr Ryan, 47, said he told President George Bush when he was appointed OTS director in April 1990 that he would leave after the 1992 election. The former White House aide and pension lawyer said he intended to return to private business.

Scandal allegations irk Franco

By Christina Lamb in Rio de Janeiro

BRAZIL'S interim President Itamar Franco reacted angrily yesterday to allegations that he had been a financial beneficiary of the corruption scam that caused the demise of his predecessor, Mr Fernando Collor, and brought him to power last month.

The charges were made by Mr Paulo Cesar Farias, the alleged front-man in the multi-million-dollar kickback scheme, who told reporters he had given money to Mr Franco while he was Mr Collor's vice president and during the 1989 elections.

The claim sent the nervous Brazilian stock markets falling again.

A furious Mr Franco challenged Mr Farias to present a copy of any cheque made out to him.

Prosecution lawyers in Mr Collor's impeachment trial yesterday completed their report to the Senate, accusing him of 20 crimes, including electoral malpractice, tax evasion, and "crimes of responsibility".

Pressure growing for Mexican electoral reform

Nafta and the economy are causing problems for Salinas too, **Stephen Fidler** and **Damian Fraser** report

FOR President Carlos Salinas of Mexico, now entering his fifth year in office, these are anxious times.

The country's current account deficit widened earlier this year just as foreign capital dried up, forcing the government to raise interest rates to ensure continued inflows of finance and to slow growth.

Pressure is intensifying on Mr Salinas to reform a political system which has ensured that the Institutional Revolutionary Party (PRI) has held power for 63 years. While this agenda includes a reform of the party that brought him to office, he has to be careful that the reforms do not so split the PRI that it loses the 1994 presidential election.

Further complicating matters, his friend and ally to the north – President George Bush – has been voted out of office, adding to uncertainty over one of Mr Salinas's central policies, the North American Free Trade Agreement. Without Nafta's ratification, Mr Salinas will be seen to have lost his biggest gamble.

The issues facing Mr Salinas are linked. If Mexico's regional politics degenerate into violence in the coming year, it will hurt the chances for ratification of Nafta. Without Nafta, the level of investment required to sustain growth and the current account deficit will be difficult to achieve. Without an upturn in growth in 1994, the prospects for the PRI in the presidential elections will be weakened.

Mr Salinas will have at the very least a central role in choosing the PRI's presidential candidate next year even if, as seems unlikely, the traditional *dedazo* – the presidential nomination which has in the past effectively appointed the next president – is diluted to give the rank and file of the party a bigger say.

Before then, he will want to defuse the controversies which have followed the election of PRI candidates for a handful of state governorships. Mr Salinas is widely held to have intervened to replace the governors, the latest in the state of Michoacan, following protests about alleged fraud from the left-of-centre Party of the Democratic Revolution (PRD).

Such protests have fatally weakened the credibility of Mexico's electoral rules, while

Carlos Salinas: under pressure to reform the system

the gubernatorial resignations have divided the PRI rank and file, and strengthened the opposition. With less than two years before the presidential election, Mr Salinas needs to change the system fast.

In his state of the union address this month Mr Salinas outlined his strategy to defuse this tension, through further reform of the federal electoral system to provide a model which will be followed by the states. The proposals are expected to be passed into law next year.

According to government officials, the proposals include ceilings on private campaign contributions and expenditure, more public funding, auditing of campaign revenue, rules to ensure fair access to the news media, in particular television, and greater independence for the bodies overseeing the election. Parties will have the right to veto who sits on the electoral bodies.

Although reforms are unlikely to satisfy the PRD – the advantage of incumbency is so huge in Mexico that a level playing field for all parties may be impossible to secure – Mr Salinas's more immediate problem may be the damaging effect on morale of PRI party members.

Many PRIistas are already hugely dissatisfied with the way Mr Salinas has undermined their power, and the president is still calling for further reform of the party, in its finances, ideology, candidate selection and internal structure. The reform, he told the Financial Times, "has not finished, it has to go further, and the elements have to be defended as such as part of a deepening process of reform".

The state of the union address also gave clues about how Mr Salinas would approach economic problems. There was an unequivocal commitment that fiscal policy would not be loosened in an attempt to accelerate growth. The government plans a budget surplus next year to follow this year's. Furthermore, government officials say other economic reforms can be expected.

These include a simplification of the 1973 foreign investment law, which will leave foreign investment excluded from only a small number of industries viewed as strategic.

The government is also working on plans to make the central bank independent, a significant step likely to be interpreted positively by financial markets and business. "I'm convinced that a strong professional and experienced central bank is essential for any process of reform," said the president, hinting at a change other government officials say is forthcoming.

The government hopes these and other measures will consolidate and institutionalise the economic reforms it has already passed. "We must emphatically make this deep process of reform part of the everyday life of the population.

"That's when the reforms become institutionalised. Then they won't depend on individuals for them to be successful or permanent. Institutional reform is a fundamental element," Mr Salinas said.

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Chile breaks out of the boom-bust cycle

Soaring investment is enabling the government to target the country's poverty, writes Leslie Crawford

CHILE is likely to become Latin America's top performing economy this year. The latest central bank forecast sees the economy expanding by at least 8 per cent in 1992, following nine years of uninterrupted growth.

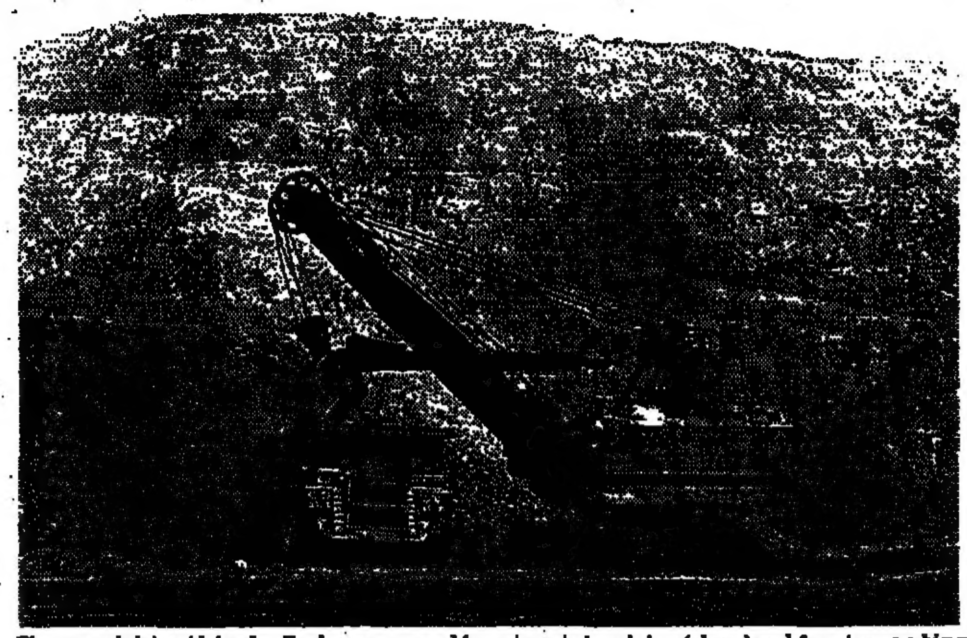
After three years of falling inflation, the country appears to have broken the cycle of inflationary booms followed by sharp recessions that has been the region's trademark for many decades.

Newspapers have not carried a gloomy economic article in months. Instead, the headlines reflect the giddy feeling of success that permeates the country.

Santiago's skyline is a jungle of construction cranes and shimmering new buildings. A recent survey of 900 export companies reported steady or expanding foreign orders. There are so many mining projects in the Atacama desert that engineering firms are recruiting professionals abroad, having emptied the engineering schools at home. Unemployment, at 5 per cent, is at a 20-year low.

The strength of the Chilean economy is underpinned by growing and diversifying exports. These will nudge the $10bn mark this year, representing almost 30 per cent of GDP. Traditional exports, such a copper, fishmeal and fresh fruit still form the bulk of foreign earnings, but they are being joined by an eclectic list of new products and manufactured goods.

Non-traditional exports – fresh salmon from southern Chile, wine from the central valley, furniture, biotechnology – are growing at an annual rate of 18 per cent and will earn almost $2bn in 1992. Chile recently overtook Germany as the third largest wine exporter to the US, behind France and Italy. About 10m cases will be shipped this year, worth $100m.



Finance minister Alejandro Foxley sees record investments in mining (above) and forestry as a big vote of confidence

The government's foreign policy is centred on opening new markets for Chilean exports. President Patricio Aylwin and a retinue of businessmen flew to the Far East this week for trade talks in Malaysia, China and Japan, which is now the biggest buyer of Chilean goods.

The country is sprinting to break a whole batch of economic records this year. The central bank's international reserves, at $8.9bn, are enough to cover Chile's import bill for one year. In August, Chile became the first country in Latin America to regain international standards of creditworthiness with a Standard & Poor's investment grade rating for the country's sovereign debt.

Investment is growing at almost twice the rate of the economy. This year, the government is targetting $3bn on housing, irrigation and the country's congested roads and ports, while the private sector has invested a record $4.3bn in mining, forestry and other export industries.

Mr Alejandro Foxley, the finance minister, sees this as the biggest vote of confidence from a business community that initially fretted over economic policy in the hands of a centre-left government after Chile's return to democracy in 1990.

Perhaps the most remarkable aspect of this investment boom is that it is being financed almost entirely out of Chile's domestic savings. Both Mr Foxley and Mr Roberto Zahler, the president of Chile's independent central bank, see this as an important departure from the country's historic reliance on foreign capital flows.

National savings have climbed to 18 per cent of GDP, from a meagre 8 per cent 10 years ago. So while foreign investment remains important, Mr Zahler believes Chile is strengthening its ability to weather external shocks.

Unlike central bankers elsewhere in Latin America, Mr Zahler is in the enviable position of having to manage the headaches of success. His main challenge this year has been to stem the flood of dollars entering the country, and control the steady appreciation of the peso without damaging the competitiveness of Chilean exports.

The central bank has relaxed foreign exchange controls to allow the peso to appreciate by about 10 per cent against the dollar this year. Although the main reason for doing this was to stem the build up of foreign exchange reserves, cheaper imports have also helped bring down inflation by almost 6 points this year to an annual 13 per cent.

The central bank has has forecast inflation of between 10 and 12 per cent for next year because of the widespread indexation of the economy.

Success is also changing the nature of economic debate in Chile. The radical free-marketeers who held sway during Gen Augusto Pinochet's era have lost ground to a new generation of economic thinkers who believe the state has an important role to play in promoting health, education and technological change.

Economists at Santiago's Catholic University, once the breeding ground for Gen Pinochet's finance ministers, are now focusing on fighting poverty, which still engulfs 40 per cent of the population.

But Mr Foxley still believes it will take perhaps 20 years to raise Chile's per capita income, which is still low at $2,800, to those of southern Europe.

A tax reform pushed through in the first year of President Aylwin's government allowed Mr Foxley to raise an extra $1bn for social projects, better pensions and higher wages for doctors, schoolteachers and civil servants.

He has done this while generating fiscal surpluses in the past 2½ years. He says the government will have saved over 3.2 per cent of GDP in 1992.

Eventually, Chileans will feel bold enough to question the cost of their armed forces. They are paying a high price for the country's peaceful transition to democracy: the military consume more than 15 per cent of the government's income.

In private, government officials admit that they are paying to keep the army happy and out of politics. The military burden will continue to drain public finances for many years to come, as Gen Pinochet's conscript army is unlikely to rethink its role in Chile's new democracy until the 74-year-old commander-in-chief retires in 1998.

Most Argentina unions ignore general strike

By John Barham in Buenos Aires

ARGENTINA'S first general strike in over three years was less than a resounding success yesterday, with all but a few key unions largely ignoring the call for a one-day stoppage in protest at the government's economic policies.

In Buenos Aires, the capital and largest city, shops were open, offices and banks worked normally, while public transport operated at about 70 per cent of its usual capacity.

However, Mr Edmundo Soria, transport secretary, admitted that the city's train system, which normally transports between 1.3m and 1.4m people a day, was practically paralysed, as were bus services in working-class areas of southern Buenos Aires.

The strike went off relatively peacefully, apart from a small bomb which exploded harmlessly outside the headquarters of the CGT union confederation. Pickets also attacked and burned several buses.

Companies in the Buenos Aires industrial belt and other industrial centres said their factories were either brought to a complete halt or worked well below capacity. Reports from Cordoba, Argentina's third largest city, say the strike was 90 per cent effective.

The CGT called the strike to protest against President Carlos Menem's plans to abolish union privileges and reform Argentina's rigid labour laws. Although the pro-Peronist unions called 13 general strikes to defeat economic reform under the previous government of President Raul Alfonsin, they have not resisted the privatisations and mass dismissals decreed by Mr Menem, a Peronist.

However, they have drawn the line at the government's attempts to eliminate union control over welfare funds, estimated to be worth $5bn a year.

Unions are also up in arms over a ban on wage indexation and plans to make it easier for companies to sack workers. Economists say that labour and social security reforms are vital to maintain the balance and momentum of the government's free market policies.

Underlying the economic issues is a political struggle. Mr Menem needs union support to amend the constitution to allow him to stand for re-election when his term ends in 1995. Analysts say that is why he has so far shrunk from tackling labour reform.

Union bosses are also attempting to recover their former political ascendancy. But yesterday's strike was hardly convincing as a show of union strength.

Strikes under the previous government were much more disruptive, especially in the country's bigger cities, which nearly shut down.

The traditionally powerful unions are slowly losing support in the country.

Pollsters note that the unions have failed to capitalise on growing discontent caused by falling wages and collapsing social services, mainly because their leadership is widely viewed as bureaucratic and unrepresentative.

Colombia squeezes guerrilla cash flow

By Sarita Kendall in Bogotá

PRESIDENT Cesar Gaviria of Colombia has outlined a series of security measures designed to strike at the financial heart of Colombia's guerrilla groups.

In particular, the government will be able to cancel contracts with foreign and domestic companies found to be paying protection money to the guerrillas. Banks will be held responsible for accounts containing ransom money.

The measures, outlined at the weekend in response to a wave of attacks by the country's guerrilla groups, are part of a 90-day state of emergency.

Mr Gaviria virtually shut the door on any further peace dialogue with the rebels, warning that officials who maintained contacts with the guerrillas might be sacked.

The guerrillas, he said, were no longer the vanguard of the revolution but the rearguard of the drugs traffickers, pursuing riches through kidnaps, blackmail and paid killings.

Over the last four years some 17,000 people have died in Colombia's political violence. The two main guerrilla armies – the old-style Soviet-line Revolutionary Armed Forces of Colombia (FARC), and the Castro-oriented National Liberation Army (ELN) – have some 80 fronts with over 8,000 combatants between them and control large areas of the country.

Both the FARC and the ELN exact payments from companies working in areas they control. Documents captured by the security forces apparently show that the ELN gained nearly $30m from kidnapping and extortion in 1991. The government now plans to embargo funds and properties linked to guerrilla groups and to support an anti-kidnap law which would allow the freezing of all bank accounts belonging to kidnap victims.

The guerrillas' power in oil-producing areas is such that they have forced local governments into handing over money from oil royalties. The royalties will now be administered by the central government. Mr Garivia also announced restrictions on the press.

All these measures will go hand in hand with the strengthening of counter-guerrilla units, improved intelligence and a nationwide communications network to supply information on guerrillas.

Gaviria declares the national state of emergency on Sunday

Ford ballot on compulsory redundancies

By Catherine Milton and Kevin Done

UNIONS AT Ford are to ballot members on industrial action, as workers face compulsory redundancies for the first time in almost 30 years as well as a 40 per cent cut in pay for workers on short-time.

Mr Jimmy Airlie, chief Ford negotiator for the AEEU electrical and engineering union, said: "The company seems to be turning the industrial relations clock back 20 years. We have no option but to ballot members on action."

Ford said its Halewood, Merseyside, car assembly plant would be reduced to single shift working in a further move to cut car production in line with weak sales.

The threat of industrial action followed Ford's withdrawal of an offer to maintain the company's long-standing policy of voluntary redundancies only, in exchange for a six-month pay freeze from November 24 and a cut in lay-off pay from 100 per cent of the basic wage to 60 per cent from January 1 1993.

The lay-off pay of a skilled day worker earning £281.93 a week would go down to £169.15.

Mr John Hougham, Ford personnel director, indicated some undertakings made before the downturn could no longer be sustained. "We are prisoners of the economic climate. We believe the market is going to stay totally flat throughout the year and see little sign of an upturn before 1994."

The company still hopes to avoid compulsory redundancies but is looking for about 270 more volunteers before December 11. More than 3,000 workers have already volunteered to leave this year.

The Dagenham assembly plant is likely to achieve all job losses voluntarily but some workers at Halewood are likely to face enforced redundancies, although all Ford workers can apply for the enhanced severance package.

Ford's move contrasts with the deal negotiated by Rover, the British Aerospace volume car subsidiary, last month for a two-year 3.6 per cent pay deal and a guarantee of no compulsory redundancies.

Unions believe UK plants are unfairly bearing the brunt of job cuts in Ford's European operations, in spite of significant recent productivity gains in the UK.

Land Rover is increasing production of its Discovery four-wheel-drive leisure vehicle by about 10 per cent to 600 a week. The increase comes in the wake of faint hopes raised by October new vehicle registration statistics that the long and severe new vehicle sales slump in the UK may at last be coming to an end. New car sales in October were 8.2 per cent higher than in the same month a year ago.

About 70 per cent of Land Rover's total output is exported. The company refused to forecast whether overseas sales would be boosted by sterling's devaluation – the main factor behind an announcement by Volkswagen yesterday that it is increasing its UK prices by an average of 2.9 per cent from November 16.

Rifkind blocks £2bn defence spending cut

By Daniel Green

MR MALCOLM RIFKIND, defence secretary, appears to have fought off demands from the Treasury for deep defence cuts in Thursday's public spending review.

A proposal which wuld have involved a reduction of about £2bn over three years in the department's £24bn annual budget has been abandoned, civil servants said yesterday, though a compromise based on a smaller cut had not been ruled out.

Ministers decided that a £2bn reduction was "not possible", said sources. Mr Rifkind is said to have warned that thousands of jobs would be lost and some companies might not survive if cuts were deep.

A modest cut should also keep the MoD on the course set by the Options for Change defence review in 1990 and might allow the government to keep its election manifesto promise not to cut the defence budget below £24bn a year.

Last year's Autumn Statement on spending plans envisaged a 1992-3 defence outlay of £24.1bn rising to £24.8bn by 1994-5. A small cut or a freeze this year should avoid the need for another defence review, said the sources. But equipment spending, which takes the biggest slice of the defence budget at 37 per cent, should still bear the brunt of cuts in the medium term.

Projects under threat of postponement or cancellation include an upgrade to Challenger 1 tanks; the £700m Tornado GR1 aircraft mid-life upgrade; a £500m medium-range surface-to-air-missile to replace the already retired Bloodhound andTrigat anti-tank missiles (£425m).

Maastricht obstacle course lies ahead

Ralph Atkins and Alison Smith examine the route the government must negotiate though parliament

IF ANY observer believed last week's government victory over Tory Euro-sceptics marked the begining of the end of the Maastricht treaty's ratification in the UK, the subsequent confusion has provided a sobering lesson in the realities of Westminster procedures – and Conservative party internal dynamics.

The way ahead resembles an obstacle course surrounded in fog for government business managers trying to steer the bill through parliament. Nobody is quite sure where the next hurdle lies or when the race will finish.

The government cannot say definitely when the bill will be finally approved. Even beyond that uncertainty it seems to be trying to appease both Euro-enthusiasts and Euro-sceptics with different – perhaps conflicting – messages.

The outline timetable is something like this:

● Before Christmas the bill will return to the Commons for that start of its "committee stage". Two or three days will be set aside.

(The formal "first reading" and two days of debate to give the bill a "second reading," and approve the broad principles of the legislation, took place before the Danish referendum in June.)

Euro-sceptics are certain to raise hundreds of points of order, each of which has to be answered by Miss Betty Boothroyd, the Commons "speaker" who chairs parliamentary proceedings, and may in themselves take several days.

Then work will begin on the hundreds of amendments tabled by Maastricht's opponents and the opposition Labour and Liberal Democrat parties. Even though not all of these will be chosen for debate, and many of those that are will be grouped, that will still leave a substantial number of separate discussions, each of which could last a few hours. In practice little headway will be made with the substance of the bill before MPs leave for a Christmas holiday.

● Rather than seek to force the pace of the bill – as ministers had originally planned – time will be allocated throughout the first half of next year for the committee stage.

Other legislation will be considered concurrently. There is no hint yet that the government plans to bring in a "guillotine" motion which would timetable debate. The official line is that the Maastricht treaty includes important constitutional change deserving serious consideration.

But the unspoken sub-text is that Euro-sceptics were told last week that the "third reading" – which follows the committee stage line-by-line consideration of the whole bill – will not come before the second Danish referendum.

This, the government argue, will not be until May. While some Cabinet ministers believe the referendum and the third reading are not interdependent, Downing Street is sticking to the line that May is the most likely time for the Danish poll – and the third reading.

What happens if the detailed committee stage debate collapses well before then, so that the third reading could take place in April is not clear. Also unclear is what happens if the Danish referendum is delayed beyond May.

● If the bill is to complete its passage through parliament before the end of the current session – as it must do unless the process has to start all over again – it will have to move to the House of Lords before the summer recess.

Peers' consideration of the bill cannot start until after the Commons' third reading. The process in the Lords is a similar mix of debate in principle and discussion of detail, finishing with a third reading debate.

Though by convention, peers do not throw out a bill that is a manifesto commitment, with many of Maastricht's most vociferous opponents in the upper house – including Baroness Thatcher and Lords Tebbit, Parkinson and Ridley – its passage there will not necessarily be smooth. Discussion of the bill will almost certainly straddle the lengthy summer recess and be completed in the "overspill" – the final weeks of the session which come after the summer recess in October or November.

● If the Lords has amended *the bill at all, it must return to* the Commons, as the final form of the legislation has to be agreed by both MPs and peers. If the alterations are only technical, there is hardly any scope for wrecking tactics by Euro-sceptic MPs. But if the Lords have made significant changes – perhaps inserting a clause ordering a referendum – that could trigger fresh debates, and fresh delays.

If MPs refuse to accept changes made in the Lords, the bill could "ping pong" back and forth between the two chambers until agreement is reached – although the Commons always has the final say.

This could mean a last minute rush to get the bill though before the end of the session. Usually the date for the state opening of the next session is fixed well in advance for sometime in November. The Queen cannot be delayed.

● In the final – and purely technical – stage, the Queen signifies her agreement, and this Royal Assent turns the bill into an Act, completing the parliamentary process.

Cheaper electricity at risk warns power chief

THE CHIEF executive of National Power, the UK's largest electricity generator, warned yesterday that protection of vested interests in the energy industry may jeopardise the prospect of cheaper electricity.

Mr John Baker said that "though it is inevitably going to be a slow process, I have no doubt that electricity prices in the UK will continue to fall in real terms as competition bites and cost savings continue to be passed to the end user."

He added, however, that this scenario assumed no outside intervention to protect vested interests and to reduce the impact of market forces.

Mr Baker's warning was made at a Financial Times conference in London on World Electricity, as he prepared to give evidence in the House of Commons today to the select committee inquiring into the future of coal. Mr Baker said the reorganisation of the UK electricity industry had shown there was no "immutable law which says electricity prices can only go up, not down.

Britain in brief

Paying off debt remains priority

Consumers, unconvinced by lower interest rates, continued to make the repayment of debt a priority last month.

Official figures published yesterday showed consumers paid back £60m more than they borrowed in September following a net repayment of £36m in August.

Almost all of last month's fall in consumer credit was accounted for by a big reduction in credit card debts. Lending by banks on credit cards that are part of the Visa or Mastercard system fell by £58m, compared with a fall of only £3m in August. Net lending by finance houses rose by £6m, while loans by building societies fell by £8m.

The figures from the Central Statistical Office also showed that new credit advanced to consumers rose to £4.4bn in September compared with £3.8bn in August.

Banker's 9th freedom appeal

Fresh evidence has come to light undermining the decision to extradite fugitive banker Lorrain Osman to Hong Kong to face multi-million-dollar theft and fraud charges, the High Court was told today.

Mr Osman, 60, Britain's longest-serving unconvicted prisoner, was making his ninth application in seven years for a writ of "habeas corpus" freeing him from custody at Brixton prison in south London.

His lawyer said statements incriminating him – made by a key witness and self-confessed receiver of bribes – had been in the possession of the Hong Kong government since 1984. But they were only released to the defence in recent months, he said, and showed that vital evidence in the decision to extradite was "totally worthless".

Coal supply row

British Coal rejected criticism that it had lost an opportunity to sell large quantities of coal to ScottishPower when it responded to the electricity generation and supply company's request for coal supply quotations.

ScottishPower had asked coal producers to quote for the supply of 250,000 tonnes and indicated it would consider buying further quantities if the price was right.

Last week it agreed to buy 250,000 tonnes from British Coal and awarded contracts for 100,000 tonnes from private Scottish opencast mines, plus 840,000 tonnes from suppliers in Australia, Poland, the former Soviet Union and the US.

When ScottishPower's orders were announced, British Coal said that if it had known the electricity company was interested in buying more than 250,000 tonnes it would have tendered accordingly. ScottishPower said the tender document stated that it was prepared to buy more than the basic tonnage.

Appeal over train targets

British Rail's InterCity sector has told the government that it cannot meet punctuality targets on some InterCity routes because lack of investment is making services unreliable.

It has asked for changes in the Passenger's Charter to allow for lower standards on routes such as the West Coast main line between London Euston, the West Midlands and the north-west, where investment is overdue.

However, it may also accept tougher standards for services on the East Coast main line between London King's Cross and Edinburgh, which has recently been modernised at a cost of £700m.

Ulster talks draw to close

Northern Ireland's Unionist and nationalist leaders, plus Irish and British ministers will today meet in Belfast for what is expected to be the final session of talks on the province's political future.

Sir Ninian Stephen, the independent chairman, is expected to formally wind up the negotiations which started in April and have taken placed in London, Dublin and Belfast.

NEWS: THE MATRIX CHURCHILL TRIAL

■ Cabinet ministers 'sought to suppress evidence' ■ Documents indicate Foreign Office warned of arms embargo

Secret support of Saddam that went to the top

By John Mason and Richard Donkin

IT took the trial of three Midlands businessmen at the Old Bailey to provide the first firm evidence that the UK government encouraged shipments to Saddam Hussein's military machine and that senior ministers were aware of this policy.

Documents released yesterday give the first detailed information of how the government allowed the machine tool industry to make shipments with a known military purpose-some with possible uses in the manufacture of nuclear weapons.

Hundreds of pages of memos and letters between senior Whitehall officials show that senior ministers in the government of Mrs Margaret Thatcher were aware of what was going on.

They also indicate that the former prime minister was kept abreast of the Whitehall debate over exports to Saddam's military machine which continued to within week's of Iraq's invasion of Kuwait.

Few British trials have been so dominated by a sub-plot of political intrigue.

An array of witness box confessions came from senior civil servants, officers from MI6 and MI5, giving evidence concealed behind screens, and Mr Alan Clark, the pugnacious former defence minister in Mrs Thatcher's government.

Four ministers, three of them cabinet members, tried to suppress the evidence, the defence claimed. They failed and yesterday, the case, prosecuted by HM Customs and Excise, collapsed amid recrimination and embarrassment.

The tide for the defence, representing three former executives of Matrix Churchill, the Coventry lathe manufacturer accused of exporting restricted machine tools to Iraq, began to turn when Judge Brian Smedley agreed to the release of some 500 previously classified documents.

Every document was damaging, said Mr Kevin Robinson, solicitor of Mr Paul Henderson. But what he called "the Koh-i-Noor" was a typed sheet from the Middle East section of the Foreign Office with a hand written note. Signed by an official on the Middle East desk called Michael Blackley and marked confidential, it warned that a UN arms embargo in January 1988 would affect the shipment of machine tools to Iraq: "The licences should not for the moment be revoked," it said, "but if it becomes public knowledge that the tools are to be used to make munitions, deliveries would have to stop at once ... the companies should be warned of the falling guillotine and urged to produce and ship as fast as they can."

The drama which ended in court yesterday began in the middle of the bloody Iran-Iraq war, in October 1984. The then foreign secretary Sir Geoffrey Howe declared an embargo on lethal equipment to either side.

Ministers pretended this remained policy when the war ended but, by the end of 1988, Iraq had, in fact, become the third biggest market for the machine-tool industry.

The bulk of the documents suggest the desire to sell to the Iraqi military establishment was primarily trade-driven. Any accusation of political motivation is not proven. However, in the minutes of a meeting of top Whitehall officials marked "secret" in March 1989, it is agreed that the guidelines for sales of arms to Iran and Iraq should be more "flexibly" applied to Baghdad.

Matrix Churchill was one of a dozen British companies secretly allowed to Saddam supply with the arms-related technology he wanted.

In March 1989, the DTI, with the backing of the FCO and the MoD, approved the export to Iraq by Matrix of spohisticated lathe equipment which, the documents show, officials knew could be used for developing nuclear weapons.

A February 1989 note from the private secretary of Mr William Waldegrave when he was a foreign office minister says the Matrix Churchill "machinery in question has legitimate civil uses – but could also be employed in munitions manufacture, or even uranium enrichment."

The letter also added the comment that Mr Waldegrave was inclined to support recommendations that the applications be approved. "He has commented that 'screwdrivers are also requires to make hydrogen bombs,'" it notes.

According to the documents released yesterday the DTI and Customs allowed a final order of machines for making fuses to be sent to Iraq on July 27 – less than two weeks before the invasion of Kuwait.

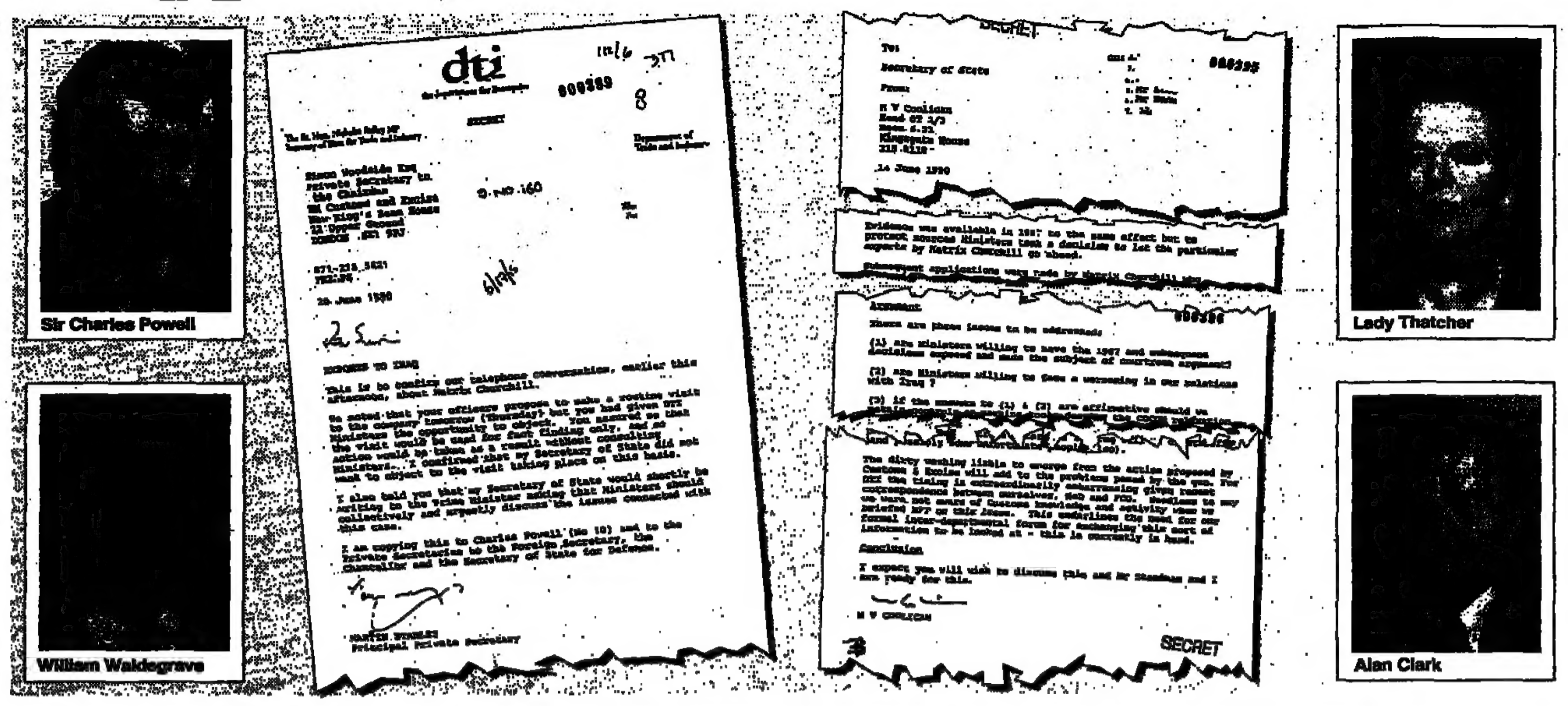
The ostensible reason for the collapse of the trial was that the evidence given by Mr Clark contradicted the case brought by HM Customs.

It is now clear that Mr Clark's evidence was only part of the story. Confidential memos show that Mrs Thatcher was being briefed on the bones of the tilt policy.

Further evidence of the former prime minister's knowledge of the policy emerged in a later memo on June 1990 from Mr Martin Stanley, the principal private secretary of Mr Nicholas Ridley, the then trade and industry secretary, to the Customs and Excise. The memo makes it clear that Customs and Excise action against Matrix would be discussed by Mrs Thatcher and her ministers.

Whitehall concern about the Customs action had become apparent six days earlier in a memo from a senior DTI official to Mr Ridley. "The dirty washing liable to emerge from the action proposed by Customs and Excise will add to the problems caused by the gun (the Iraqi Supergun). For the DTI the timing is extrordinarily embarrassing given recent correspondence between ourselves, MoD and FO."

A number of companies were encouraged to export arms-related equipment to Iraq. But Only Matrix Churchill, the biggest of 17 British exhibitors at the 1989 Baghdad Arms Fair, was charged with evading DTI controls. That Customs maintained its prosecution knowing what would emerge and the embarrassment that it would cause other parts of Whitehall is an intriguing question. Some point to its independent role as a prosecutor and to its frustration with the DTI at obtaining any convictions over the Supergun affair.



Previously classified documents released to the court in the Matrix Churchill trial demonstrate how the government was driven into a corner by its secret policy on exports to Iraq. The alarm bells began ringing in the DTI after Customs started investigating Matrix Churchill weeks before the invasion of Kuwait. The DTI wrote to Customs warning that ministers would discuss the affair, and also wrote to the then trade and industry secretary Nicholas Ridley in June 1990 expressing worries about "dirty washing" emerging. Margaret Thatcher and her private secretary, Sir Charles Powell, were *informed about the gravity of the affair, the DTI wrote. The trial heard that foreign office minister William Waldegrave and trade minister Alan Clark were pivotal to approving the exports to Iraq.*

'I never saw myself as a spy but I suppose that is exactly what I was,' says British businessman who risked life for MI6

Midlands man tells of secret life as spy in Iraq

THE engineering heartland of the Midlands which moulded businessman Mr Paul Henderson might have been a world away from Whitehall when he stepped off a train at Euston station one day in September 1989 to be greeted by his control officer.

This was Henderson, the spy, a man who for the best part of 20 years had been risking his life for British intelligence.

In his first full interview to be published after the end of his trial yesterday, Mr Henderson spoke about his secret life and how he juggled the role of businessman and spy.

For years he had placed his life in the safe-keeping of MI6, which he had long since come to trust. It was a trust that would be sorely tested in the months ahead.

He recalled the rest of that September day. A chauffeur-driven grey Ford Granada took them to a building overlooking the Mall. They were escorted into an opulent room for a day-long session of intense questioning.

Seated on one side of an oval table was Mr Henderson, managing director of Matrix Churchill, the Coventry machine tool manufacturer he had joined as a boy apprentice more than 30 years earlier.

Facing him was a panel of six officers, mostly scientists attached to MI6. All were introduced using first names only. They proceeded to drain him of his knowledge of Eastern Europe and Iraq.

They broke for lunch and walked the short distance to a gentleman's club in Pall Mall. Fresh scientists were introduced for the afternoon session, which concentrated on eastern Europe. When the session ended, the party walked across to the Foreign Office before they dispersed.

"Later I went back and retraced my steps. I must have walked that route 10 times, from the house, to the club, back to the house and over to the Foreign Office to be sure of where I went that day," said Mr Henderson.

Even now, with the Cold War and the Gulf war part of history, he refuses to disclose the full details of what he revealed. Part of what he told them emerged in the trial. Another part remains veiled in spite of his disillusionment with an intelligence service which he had loyally served since 1973.

For the best part of 20 years he concealed his intelligence work from his colleagues and family, including his wife. Only his close friend and colleague Mr Mark Gutteridge was party to the secret and Mr Gutteridge was himself encouraged to pass information to the intelligence services.

Mr Henderson was working in a deadly business for which he could have paid with his life. He worked to basic ground rules. "I never made notes or contacted anyone in a country in which I was staying. I never made phone calls," he said. He was told by his controllers always to memorise numbers and names. "My memory was not that good and I wrote the numbers down against made-up names," he said.

His first encounter with British intelligence was in 1973 when he became managing director of Matrix Churchill International, which handled the export sales of the machine tools division within the TI Group of companies, to which Matrix Churchill then belonged.

Four officers of MI6 – two men and two women – visited the factory to give a briefing on what to do and what not to do for sales staff working behind the Iron Curtain. "It was a bit late for me because I had already been travelling there for four years. But it was all pretty common-sense stuff," he said.

A few days later one of the women phoned back. For the next two or three years she became his controller. They met in pubs and cafes whenever he returned from his visits to the eastern bloc. "I went to every eastern bloc country in that time. I was travelling eight months of the year," he said.

Over the years his controllers changed but they remained hungry for information. "They would tell me what they were looking for and I would decide whether I would do it or not; simple as that." said Mr Henderson. He was never paid and never asked for payment. "I did it because at the end of the day I thought it was the right thing to do and it was helping my country," he said.

"I never saw myself as a spy but I suppose at the end of the day that's exactly what I was doing."

His business was machine tools, a business for which Britain was once renowned. Matrix made lathes that could turn almost anything from kettles to colanders. They could make shell casings and had served the munitions industry for more than 100 years.

The company traded heavily with the Soviet bloc and had 1,200 machine tools installed in the Soviet Union. "You don't sell a thousand machine tools to the Soviet Union without some having a military capability," he said.

In 1986 Mr Henderson was elevated to the prestigious position of joint chairman of the Anglo Soviet Working Group on the development of machine tool trade. The other joint chairman was Mr Boris Kurakin, a deputy minister of machine tool manufacture in the Soviet Union. Then, in 1987, at the end of the Iran-Iraq war, a delegation of Iraqis introduced by an Essex businessman called Mr Roy Ricks visited Matrix.

"I didn't think we would get any business out of them and thought we were wasting our time," said Mr Henderson. The company received a £19m order for CNC lathes to be used in the manufacture of 80mm, 122mm and 155mm shells. Their use for Iraq's munitions industry was accepted by the then trade minister Mr Alan Clark.

Other machine tool companies were also reaping the benefits of Iraqi orders to re-equip its defence industries. BSA Tools, Colchester Lathes and Wickman Bennet all had orders for machine tools for the Iraqi defence industry.

The UK had a policy against supplying Iran or Iraq with potentially lethal equipment but, as Mr Clark later told the court, this was an "elastic" policy which could be stretched to include machine tools.

Later that year TI, the parent company, was contacted again by Mr Ricks on behalf of Iraqi interests which wanted to buy Matrix. The Iraqis had made earlier inquiries at other machine tool companies. Sir John Cuckney, the former MI5 officer who had been a non-executive deputy chairman of TI at the time of the sale, said later that there had been nothing unusual about selling Matrix to an Iraqi company. The price had been a good one and TI had wanted to sell it.

Mr Henderson now believes that the deal had greater significance. "There is no doubt in my mind that the business was sold to the Iraqis so that we could monitor them."

Mr Henderson put the deal together, negotiating with Iraqi intelligence officers posing as businessmen. He recalls Dr Safa Habobi wearing the military uniform of a brigadier, but this was not unusual in the Ba'ath Party where everyone has a right to a military rank. Mr Henderson would later be told by MI6 that both Habobi and Kadhum were members of Iraqi intelligence.

The Iraqi ownership gave Mr Henderson the perfect opening. He could now amass information for the British government while doing business for his company. "I used to drink with Iraqi officials until two or three [in the morning]," he said. "Booze is a great loosener of the tongue. I found things out that maybe I shouldn't have found out."

Was he aware of the risks he was taking? "After a couple of years I suddenly began to realise that at the end of the day I was putting myself at risk. But that was all there was to it."

From mid 1988 his MI6 controller repeatedly asked one question: did he know anything about project Babylon? "I was confusing this at first with the Lion of Babylon programme which referred to the refurbishment of tanks. It was only later I understood they were asking me about the supergun programme."

With hindsight, this was a vital clue which suggests that British intelligence may have begun assembling a picture of Iraq's supergun project as early as mid 1988. This is earlier than any intelligence officer has admitted to MPs.

It has taken two years for Mr Henderson and his lawyers to piece together the broader picture of the British government relationship with Iraq. It took an Old Bailey trial to drag it out into the open.

For future businessmen who might do as he did he warns. "Make sure you have everything in writing."

Richard Donkin

Diary of events

April 1989
Matrix Churchill exhibits at Baghdad Arms Fair

September 7 1989
MC admits, to Financial Times, selling equipment to Iraq linked to unauthorised BNL loans

September 18 1990
US government seizes MC Corp

September 19 1990
UK freezes MC bank accounts

September 22 1990
DTI grants MC licence

October 16 1990
Customs and Excise raid factory; three directors questioned for two days

November 6 1990
Terms agreed for sale of MC to Automation investments

January 17 1991
Iraqi directors detained

February 22 1991
Iraqi directors allowed to leave UK

April 9 1991
Managers arrested

July 23 1992
MC goes into receivership

Led the shadow life of a spy for nearly 20 years: Paul Henderson

Raffish minister attracted myths

By Ralph Atkins

GENTLEMANLY, unpredictable, wealthy, sardonic, and brimming with self-confidence bordering on the arrogant, Mr Alan Clark's character as a minister was rich in every sense of the word.

Some of the stories about him may be apocryphal but he is the sort of raffish character who attracts and almost revels in myth.

On becoming a minister he was supposed to have looked at the modest official car and remarked: "You expect me to get in that?" before arranging for his own Jaguar to carry him with suitable dignity.

He accused other European countries of "running for the cellars" during the Gulf war and joked of "bongo bongo" land.

He survived partly because he was close to Mrs Margaret Thatcher, the former prime minister, who appreciated his quirkiness and maverick free-market zeal. He was a tall, debonair old Etonian who was far more prepared than most ministers to speak his mind – even where it ran roughshod over government policy or over ministerial sensibilities.

But he is full of ironies. In spite of his aristocratic background – he is the son of Lord (Kenneth) Clark, the art historian – he is also an opponent of blood sports. He is personable and highly affable but, with his cavalier manner, did not always get on with senior military commanders during his time as a defence minister.

After serving at the defence ministry and then trade and industry, and after nearly 20 years in Parliament, he stood down as MP for Plymouth Sutton at the general election, aged 64, to pursue other interests, including military history.

Since retirement from politics he has been preoccupied with writing his memoirs and driving vintage cars – and his court appearance over Matrix Churchill.

With the Commons having been deprived of many of the strongest characters of the 1980s, he would perhaps have been too colourful a character to have enjoyed himself much longer.

Yesterday, with typical aplomb, he was refusing to respond to the profusion of media calls for an interview.

Machine tool industry decimated by embargoes

By Richard Donkin

BRITAIN'S machine tool industry has been decimated by the loss of business resulting from embargoes on Iraq.

In 1986 the UK machine tool industry had no exports to Iraq. This was before the Department of Trade and Industry sponsored British companies to take part in Iraq's first international trade fair following the end of the Iran-Iraq war,

In the space of two years UK machine tool manufacturers were enjoying sales of £31.4m, promoting Iraq to number three after the US and West Germany in the table of Britain's machine tool export markets.

Most of Britain's machine tool makers had exports to Iraq at the time. Many of the exports were being used for the manufacturer of munitions.

Seven years later, with the Iraqi market destroyed and with the refusal of the government to countenance a new market in Iran, the UK survivors of the high technology end of the industry can be counted on one hand.

Matrix Churchill, the compnay with the biggest Iraqi orders, is in receivership; Wickman Bennett, of Coventry has also ceased production. It agreed a fine with Customs and Excise over exports to Iraq.

Mr David Phillips, an industry consultant, said much of the production lost as a result of the Iraqi debacle had been at the most technical end of the market, making "the kind of lathes the world buys."

Collapse provokes questions in US

By Alan Friedman in New York

THE collapse of the Matrix Churchill trial triggered an immediate political reaction in Washington, where the Bush Administration has been accused by members of Congress of covering up its knowledge and possible involvement in the activities of the UK company's Ohio affiliate.

Mr Henry Gonzalez, chairman of the House Banking Committee, has accused the White House of covering up the entire Matrix affair, especially as the machine tools maker was financed by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL).

The BNL affair, along with the role of Matrix and other companies, has been dubbed "Iraqgate" in the US. Mr Bill Clinton, the president-elect, called during his campaign for a special prosecutor to investigate the affair.

Congressional investigators have compared the trial of Mr Paul Henderson, the former Matrix managing director who worked for British intelligence services, to the US court hearings concerning Mr Christopher Drogoul, the former BNL Atlanta manager who said he loaned \$5bn to Iraq with the knowledge and approval of US government officials.

The US assets of Matrix Churchill – which was the linchpin of Iraq's clandestine military procurement network – were frozen two years ago by the US Treasury, as were the assets of Mr Anees Mansour Wadi, an Iraqi associate of Matrix whose California company (Bay Industries) was also identified by the US government as part of Baghdad's arms supply network.

Congressional investigators said yesterday the disclosure in London that the UK government also knew of Matrix's relations with Mr Carlos Cardoen, the Chilean arms supplier of Mr Saddam Hussein, appeared to contradict previous denials by the White House that Washington gave covert support to Mr Cardoen.

Mr Dennis Kane, the House Banking Committee staffer who has led Congressional investigations into the Iraqgate affair, said the developments in London were of signal importance. "President Bush, Brent Scowcroft, his national security adviser and other officials have claimed it was not US policy to arm Iraq. Revelations in the Matrix Churchill case raise serious questions about the veracity of their statements and raise the question of whether the US in fact illegally helped to arm Saddam Hussein."

TECHNOLOGY

From next year, the EC will have 412 approved food additives. **Charles Arthur** examines their contents and asks why we need so many

Prawn crisps and politics

You may think the meals you eat are full of taste and goodness, but they are usually full of something else as well – additives, the host of flavourings, sweeteners, preservatives and colourings used by the food industry to enhance or disguise their products and make them last longer.

To the average consumer, the number of approved additives in the UK, currently 300, might seem more than enough for a healthy digestion. But next year, when the Single European Act comes into force, it will jump to as many as 412.

The logic behind permitting such a big leap in the array of "E" numbers which describe each additive is hard to follow. None of the extra 112 additives that might appear in people's food is a new chemical that has been discovered in the past couple of years. Some are banned in the UK at the moment: in the case of the sweetener cyclamate, since the 1960s.

Nor does the UK presently have a more rigid set of standards for allowing additives than other countries. It is the least restrictive, with the longest "approved" list in Europe. Germany, by contrast, allows just 150, while Greece allows only 120. For these countries, the shock will be even greater. "What's being allowed isn't the lowest common denominator," says Erik Millstone of Sussex University's Science Policy Research Unit. "In fact it's lower than that. Even standards in the UK will decline, as they will across the EC."

Millstone often lobbies against the food industry's interest in putting what he sees as unnecessary chemicals into foods. He is up against considerable competition. The food industry in Europe is comparable in size to the defence industry. In the UK the spending on additives alone is worth £453m; throughout the EC it totals £1.8bn.

But why are additives used at all? There are two principal reasons: people want food that will last longer (meaning it can be transported further and stored for longer), and manufacturers have discovered that the taste-buds are surprisingly easily fooled.

The first reason led to the development of antioxidants (which stop oils turning rancid) and preservatives (which discourage the growth of micro-organisms). The second has led to the real boom area: colourings, flavourings and sweeteners.

A few decades ago, food manufacturers looking to cut costs discovered that they could use lower-quality raw foodstuffs if, later in the manufacturing process, they added colourings to make them look more like the target product: red for tomato-based products, yellow for cheese, and so on.

'What's being allowed isn't the lowest common denominator, it's lower than that. Standards in the UK will decline, as they will across the EC'

Flavourings could provide taste that was not there before. And sweeteners could compensate for "rough" flavours: the tongue is highly tuned to the taste of sugar (or sugar-tasting products such as saccharin) which masks less pleasant ones. That is why sugars and sweeteners are the most common added ingredients in processed foods. It is also why food companies keen to promote a quality image emphasise the additives they leave out of their products.

The rapid multiplication of additives has led to careful scientific testing, with products fed to laboratory animals to make sure they cannot be dangerous, even when consumed in huge quantities. This process caused the banning of cyclamate in the UK: experimental evidence suggested it caused rats' testicles to shrink.

Yet some additives that have been approved are now strongly suspected of causing side-effects: the best-known, tartrazine (E102), is a bright orange-yellow colour commonly found in orange squash concentrates which is now thought to make some children hyperactive and disruptive. Monosodium glutamate, used widely in Chinese food, can cause nausea and headaches.

The process of drawing up a Europe-wide list of approved additives has been carried out over the past three years by the EC Scientific Office, overseen by the EC Scientific Committee on Food, an international group of scientists.

Part of that work includes setting out rules for how much of an additive may be used in a food and in which foods each of the additives can be used, in a wide-ranging ruling which at one stage threatened an essential part of the British way of life, no less a product than the prawn cocktail crisp.

Certain additives will only be allowed in particular foods: for example, erythrosine (E127), a red colouring (used in many kinds of confectionery) only in glacé cherries; a pinkish colouring only in the "saucisson de Strasbourg" of France's Alsace; and Brown FK (E154), a colouring widely used in all sorts of fish products, only in particular fish.

The prawn cocktail crisp came under scrutiny because an early version of the list of approved sweeteners said certain strong additives could not be used in any snack. However, sweet crisp flavours (such as prawn cocktail) contain traces of aspartame or saccharin.

As can be imagined, the bargaining and lobbying at EC level over which additives should be allowed and in which foods has been intense. The political fighting has also been prolonged. "You can say that again," remarked a spokeswoman for the UK's Ministry of Agriculture, Food and Fisheries.

The EC argued that the flavour of prawn crisps was artificial. "But sweeteners is a minefield, and has been for some time." The scientific committee relented after the UK said jobs would be lost; the day was saved for prawn cocktail crisps.

Yet to speak to some in the industry, the burgeoning list is hardly a matter for excitement. Malcolm Jones, managing director of Bensons Crisps of Kirkham in Lancashire, says: "We don't see a dramatic change coming. But it has to come to fruition yet."

His company, which employs 700 people and has sales of £25m, is the UK's fourth-biggest crisp-maker – behind Pepsico, Dalgety and United Biscuits. "A lot of representation has gone on through countries and vested interests," he says. "But nothing suggests that we've got problems."

Similarly, the Snack and Crisp Manufacturers' Association reckons it has headed off any difficulties. "We have done our homework," says Keith Nightingale, its director general. "It looks like we will be able to use the products that we wished to, in the future. We will be able to live with what ultimately emerges."

The word "ultimately" is carefully chosen: the legislation enabling all these changes has still to work its way through the European Parliament. Nightingale suggests this means that the 412-strong list will not become law from January.

However, others in and outside the industry disagree: the Single European Act, they reckon, means that the list must come into force after the end of this year, and the scientific committee can add more numbers to it – and, possibly, subtract a few – as it goes along.

But it has still left some annoyed. "It has been a political rather than a scientific process," says Millstone, who belongs to a lobby group called the Food Additives Campaign Team. "The negotiations have been between industry and government, and communication with consumers has been excluded. The EC didn't call a meeting of the Food Consumers' committee for five years; people speaking for consumers were systematically excluded from the talks."

Millstone agrees that some of the extra additives are harmless. But, he says, "consumers had felt some progress was made in the late 1980s with the reduction in the number of additives such as colours. Now we will have synthetic colours such as tartrazine and amarynth (E123) on this list". The fight against the Es could be ready to start all over again once the clock strikes midnight at the end of 1992. So hang on to your prawn cocktail crisps.

Technically Speaking

Latest gadgets jump the gun

By Louise Kehoe

IT promises to be *the* electronics product of the 1990s, if its eager developers are to be believed. For busy managers on the move, the "personal communicator" – a portable battery-operated device able to send or receive written or spoken messages at any time, from almost anywhere – could be just what they have been waiting for.

"We believe personal communicators will have as much impact on person-to-person communications as the telephone had in the early 1900s," enthuses Alain Rossmann, president and chief executive of Eo, an ambitious Silicon Valley start-up company which last week unveiled what it claims are the world's first personal communicators.

These all-purpose communications tools combine the functions of a cellular telephone, a facsimile machine and a pen computer. The question, however, is not so much whether the market is ready for them, but whether they are ready for the market.

Rossmann projects there will be 100m personal communicators in use by the end of the decade. He aims to make Eo a leader in the emerging market. It is not alone in pursuing this dream. Over the next few months, several of the world's largest personal computer and consumer electronics manufacturers as well as other new ventures are expected to jump on the bandwagon.

The concept of an integrated wireless personal communicator is exciting. Imagine being able to scribble a note with an electronic notepad and transmit it directly via facsimile or electronic mail while waiting in an airport lounge, or retrieving messages left in an "electronic mailbox" from a hotel room without connecting a computer to the telephone socket. You also have instant access to remote databases and on-line information systems.

But for all the exciting potential, the promise and reality of personal communications technology remain some distance apart. For one thing, Eo's first-generation personal communicators are far from being mass-market products. Priced at $2,000-$4,000 (£1,300-£2,500) they are targeted at "mobile professionals" whose work frequently takes them out of the office.

In this segment, Eo predicts 1m users by 1994. Prices will come down, Eo promises. Yet even "early adopters" of the latest technology gadgets may have some misgivings. Critical elements of the technology required to make personal communicators live up to expectations are still wanting. And cellular telephone networks do not yet provide a reliable medium for wireless data communications.

Sending data on the move is particularly prone to problems. Eventually, Europe's GSM digital cellular system and the growth of Cellular Digital Packet Data systems in the US should provide a more reliable method of sending data, but these are some years off.

Communications "anytime and anywhere" is Eo's goal, but do not even think of using a personal communicator on an airline flight. Although the manufacturer suggests that busy executives will be able to prepare notes and messages during a flight and then send them when the aeroplane lands, this will depend upon the dispensation of airlines.

However, only about 10 to 20 per cent of buyers of the first generation of personal communicators are expected to opt for the add-on cellular telephone link, Eo says. Most users, therefore, will have to find a telephone jack to plug in their personal communicator, making on-the-move communications less convenient.

The fundamental weakness of these early versions of the personal communicator lie, however, with the limitations of today's hand-writing recognition programs. Like all "pen computers", Eo's personal communicators are irritatingly poor at reading the hand-written word, frequently misinterpreting even carefully printed characters. With some practice, users can improve their ability to write clearly on a computer slate, Eo maintains, but it takes some getting used to.

Instead, many "mobile professionals" may for the time being opt for a conventional and cheaper notebook computer, equipped with a modem. If you have to sit down by a telephone to send and receive your messages, then tapping out notes and commands on a keyboard becomes less of a drawback.

Like early personal computers, Eo's first generation of personal communicators promise more than they can yet deliver. In its rush to be first to market, the company appears to have jumped the gun.

LEGAL NOTICES

NOTICE OF CREDITORS' MEETING
CAUSEWAY (MIDLANDS) LIMITED
IN RECEIVERSHIP

Notice is hereby given, pursuant to Section 48 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham B3 2DA on 24 November 1992 at 10.00 am for the purposes of having laid before it the report prepared by the Joint Administrative Receivers in accordance with the said Act and, if thought fit, appointing a Committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation). Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 23 November 1992. Forms of proxy, if intended to be used, must also be lodged with us by that time. (Faxed copies are not acceptable.)
Dated this 4 November 1992
Ian N Carruthers. Joint Administrative Receivers.

Rule 3.2 Notice of Appointment of Joint Administrative Receivers
Swilynn Distribution (UK) Limited
Registered number: 02398070. Nature of business: Video Tape Wholesalers. Insert the number of the trade classification listed overleaf which most closely relates to the business of the company. Trade classification: 19. Date of appointment of administrative receiver(s): 29 October 1992. Name of person appointing the administrative receiver(s): The Governor and Company of the Bank of Scotland. Insert name(s) of appointee(s): Ian Douglas Barker Bond, David Miles Middleton, Joint Administrative Receivers. Office holder No(s)): 001289/01 and 208. Address: Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

Meeting of Creditors pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
THE TIMBER WORKSHOP LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors of the above-named Company will be held at Sherlock Holmes Hotel, Baker Street, London W1M 1LB on 19th November 1992 at 11.00am for the purposes provided for in Section 98 et seq.
A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 7 Keswick Place, London W1H 3FF, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 5th November 1992
David Cyril Potts, Director

LEGAL NOTICES

Rule 3.2 Notice of appointment of Administrative Receiver
PAL Industrial Heating and Ventilation Limited
Registered number: 1202264. Nature of business: Manufacture and installation of heating and ventilation systems. Trade classification: 27. Date of appointment of Administrative Receivers: 18 December 1991. Name of person appointing the Administrative Receivers: National Westminster Bank PLC. Joint Administrative Receivers: N J Vooght (office holder number 6339), C J Hughes (office holder number 2041)
Address: Cork Gully, PO Box 262, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ.

IN HER MAJESTY'S HIGH COURT OF JUSTICE OF THE ISLE OF MAN
Chancery Division
and
IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES
Chancery Division
IN THE MATTER OF MONUMENT MARINE AND GENERAL INSURANCE COMPANY LTD
and
IN THE MATTER OF THE COMPANIES ACT 1985 (ENGLAND AND WALES)
and
THE COMPANIES ACT 1931 (ISLE OF MAN)
and
IN THE MATTER OF SALE TILNEY PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985 (ENGLAND AND WALES)

NOTICE IS HEREBY GIVEN that on the 30 September 1992 the Scheme of Arrangement between the first above-named company and the Scheme Creditors (as defined in the Scheme of Arrangement) was approved unanimously by the Scheme Creditors. Clause 2.8 of the Scheme was amended to provide for the appointment of Brian Leslie Harvey as First Administrator in place of Graham Hickman Bolton. The Scheme was approved with this amendment.
The separate Scheme of Arrangement between the second above-named company and the Guarantee Creditors (as defined in the Scheme of Arrangement) was approved without modification by the Guarantee Creditors, 12 votes being cast in favour of the Scheme and 1 vote being cast against.
FURTHER NOTICE IS HEREBY GIVEN that by Orders dated 21 and 28 October 1992 made in the above matter, the Courts have approved the Schemes of Arrangement. The Effective Date (as defined in the Scheme of Arrangement) for both Schemes will be 29 October, 1992.
Dated 10 November, 1992

NOTICE OF CREDITORS' MEETING
TIRALES (LICHFIELD) LIMITED
IN RECEIVERSHIP

Notice is hereby given, pursuant to Section 48 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham B3 2DA on 24 November 1992 at 10.00 am for the purposes of having laid before it the report prepared by the Joint Administrative Receivers in accordance with the said Act and, if thought fit, appointing a Committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation). Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 23 November 1992. Forms of proxy, if intended to be used, must also be lodged with us by that time. (Faxed copies are not acceptable.)
Dated this 4 November 1992 for
Ian N Carruthers. Joint Administrative Receivers.

PUBLIC NOTICE

PIPE-LINES ACT 1962
ELECTRICITY & PIPE-LINE WORKS (ASSESSMENT OF ENVIRONMENTAL EFFECTS) REGULATIONS 1990
APPLICATION FOR PIPE-LINE CONSTRUCTION AUTHORISATION
OVE ARUP & PARTNERS – PROPOSED SUTTON BRIDGE TO SUTTON BRIDGE POWER STATION
NATURAL GAS
CROSS-COUNTRY PIPELINE

Ove Arup & Partners hereby give notice, in accordance with the provisions of Part 1 of Schedule 1 to the Pipe-lines Act 1962 and the regulation 7(3) of the Electricity and Pipe-line Works (Assessment of Environmental Effects) Regulations 1990, that an application has been made to the Secretary of State for Trade and Industry for the grant of authorisation for construction of a cross-country pipe-line.
The proposed pipe-line, which is to be for the conveyance of Natural Gas is to run between British Gas, Gas Valve Compound, Bridge Road, Sutton Bridge and Sutton Bridge Power Station.
The pipe-line will be owned by IPG Limited.
Copies of the map, on which the proposed route of the pipe-line is delineated and which will run with limits of deviation of 200 metres on either side and the Environmental Statement (which accompanied the application) can be inspected during normal office hours in Room 3.M.1, Department of Trade and Industry, 1 Palace Street, London SW1E 5HE, Sutton Bridge, Public Library, Sutton Bridge Village Hall and at the offices of the following local authority:
South Holland District Council, Priory Road, Spalding, Lincolnshire.
A copy of the Environmental Statement may be obtained from IPG Information Centre, Bridge Street, Sutton Bridge, Lincolnshire PE11, whilst stocks last at a cost of £20.00 each.
Objections to this application should be made in writing, setting out the grounds of objection and bearing the reference PX 75.706/21 and should be sent to the Secretary of State for Trade and Industry at 1 Palace Street, London SW1E 5HE (marked FAO Mr G R T Cobb, Pipelines Administration) to arrive not later than Tuesday 8th December.
Ove Arup & Partners J. R. Hamilton
13 Fitzroy Street
London W1P 6BQ

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Women adopt more cautious approach

Women who set up in business are more cautious in their financial forecasting than men but are more likely to achieve their goals.

Women expect to achieve an average turnover of £50,000 in their first year while men expect to reach £110,000, according to a survey by NOP Corporate and Financial.

The difference cannot be entirely attributed to the different sectors which men and women choose to work in because retailing was the most popular sector for both sexes, the researchers said.

Men who originally expected their first year turnover to be £130,000 achieved only £120,000 in their first 18 months while women who forecast sales of £45,000 in their first year managed £75,000 after 18 months.

Contact Allison Hewlett. Tel 071 631 0040.

Factoring business on the up and up

The difficulties businesses face in being paid on time prompted a sharp leap in levels of activity in the UK factoring industry. The 11 largest factoring companies, which make up the Association of British Factors & Discounters, reported a 12.5 per cent increase in clients' business volumes to £11.6bn in the first nine months of 1992. Business in the third quarter alone rose by 15 per cent to £4bn.

Factoring companies collected debts in an average of 62 days compared with 64 days a year earlier.

Age of the computer has yet to dawn

More than half of small businesses in the UK make no use of personal computers to improve their efficiency at work, according to a Mori survey for IBM.

In spite of the oft-proclaimed "workplace revolution" in the use of PCs, 53 per cent of businesses employing up to 10 people still manage invoicing and accounts, letter writing and maintaining work schedules manually. However, 6 per cent of businesses are considering buying a PC "in the short term".

Businesses in the south are far more likely to have or to be considering buying a PC than those in the Midlands and the north. Sixty-six per cent of southern businesses have or plan to buy a PC compared with 46 per cent in the north and 38 per cent in the Midlands.

Of those firms which do not have a PC, only one in four believes it would help improve efficiency.

Hardly a ringing endorsement

A quarter of small businesses do not answer their phone even after a total of 15 rings, according to a survey of 7,000 small businesses carried out by Thomson Directories.

Twenty-three per cent of businesses contacted did not answer their phone within five and 15 rings while 26 per cent did not answer after 15 rings.

Guide aims to resolve cashflow problems

Poor cashflow management has been one of the main factors behind business failures in the present recession.

Financing the Credit Gap*, a new guide produced by Griffin Factors and the CBI, contains advice, examples, checklists and charts to help ease and predict cashflow and profits.

**Available from Griffin Factors. Tel 0800 525507. 24 pages. Free.*

Buy-out activity continues to decline

The volume of large buy-out activity has been sharply reduced by the recession but there has been a much smaller fall, just 10 per cent, in the number of smaller buy-outs where management takes a majority stake, according to a survey* by 3i, the venture capital group.

The review of 188 buy-outs financed by 3i showed that the average price/earnings multiple fell from 7.5 to 6.1 per cent between 1989 and 1991.

Individual managers invested on average just £40,000 in their company while the average investment by management teams was between £100,000 and £150,000.

The average ratio of debt to equity (gearing) of the buy-outs was relatively constant over the three year period at 1.75:1.

**Management in the Majority. Marketing Department. 3i, 91 Waterloo Road, London SE1 8XP.*

Charles Batchelor looks at a company that has adopted advanced manufacturing methods to take on the world

Burning ambition to succeed

John Crathorne: led team that won backing for £12m management buy-in

The world is full of frustrated or redundant senior managers looking for the opportunity which will launch them in their own business. Most would prefer a market niche where, in the early stages at least, they can build a company without treading on the toes of larger, well-established players.

In late 1988 John Crathorne fitted the bill of the frustrated manager. However, Stoves, the company he now heads, does not, at first sight, match up to the specification of an ideal business.

For Stoves, the revamped cooker manufacturing arm of Yale & Valor, is fighting for a place in a market dominated by multinationals. The kitchen appliance market is the almost exclusive preserve of global companies such as Sweden's Electrolux, Whirlpool of the US, Bosch Siemens in Germany and the Italian Merloni group (formerly Indesit).

These large companies have been developing global product ranges which currently dominate many national markets. Smaller companies with a narrower focus have either sold up or gone bust. Belling, a long-established UK manufacturer of electric cookers, recently folded though the business was subsequently acquired by Dimplex, a manufacturer of electric appliances.

So how does Stoves, with projected 1992-93 sales of less than £55m and a workforce of just 570 people hope to prosper, let alone survive? Crathorne, a former executive chairman of Thorn EMI's major domestic appliance division, believes the large multinationals' perceived strengths are in fact their weakness.

Stoves, in contrast, concentrates on cookers, modifying their design to meet the different cooking habits of each country. It has also adopted production control techniques more commonly found only in far larger companies.

"You can have a global dishwasher, fridge or vacuum cleaner but cookers must reflect national cooking methods," he says. "UK housewives do more baking and want even browning. The French *want a different heat balance.* We may not know as much about white goods in general as Electrolux but we know more about cookers."

The original idea for an upmarket, British-made consumer durable came from Sean O'Connor, then a director of Lowe, an advertising agency, and now deputy chairman of Stoves. But it was Crathorne who narrowed the search down to cookers and who assembled a management team composed of senior managers from other large white goods manufacturers.

When Yale & Valor put its cookers division up for sale Crathorne won the backing of buy-out financiers Candover for a £12m management buy-in. In 1989, Crathorne's team took a 30 per cent stake in the business, which is based at Prescot on the edge of Liverpool. "It was a shell-shocked site, desperately under-invested," says Crathorne. "The employees had long since stopped trusting the management."

One of the first steps of the new management was to move from a line assembly system to one based on small groups or "cells" of workers responsible for the complete *assembly. The idea was to make the* job more interesting and to give the workers responsibility for quality control. Under the old system 70 per cent of cookers coming off the line had defects. This figure is now down to just over 10 per cent.

At the same time Stoves moved towards a system of just-in-time delivery and supply. It developed closer links with its suppliers and reduced their number from 250 to just 50. Under the old system Stoves had 16 suppliers of steel and carried £1m worth of stock. It now has one supplier and carries £40,000 of stock.

It also began a switch from what Jeff Kane, manufacturing director and the sole member of the old Yale & Valor team to join the new management, calls "hard tooling" to the use of computer numerically controlled (CNC) tools. Formerly the company would make cooker chassis using heavy presses and welding methods. Design changes took months to implement and were very costly as new dies were made.

It now uses CNC equipment to bend, cut and punch the metal struts which make up the cooker frames and water pressure to shape the sheet metal which forms the cooker ovens or "cavities". In the year before the buy-in the company introduced four new models. In the three years since it has launched more than 200.

Installing the new production equipment took longer than expected but it now gives the company far greater flexibility in developing new products. Introducing a new cooker design using old tooling could take two years and cost £100,000 but the company can now design a new cooker in just five weeks at a cost of £2,000, says Kane.

Stoves protects its products and processes by registering patents at the rate of one a month but believes that part of its defences depend on its manufacturing methods. A competitor could copy a design in six months but unless it had similar manufacturing processes it would have difficulty replicating the exact design, says Ben Gostelow, engineering director and a former design director at Electrolux.

This work on changing production methods has gone hand in hand with a marketing campaign involving £400,000 in market research. The company has long been a big supplier to British Gas showrooms and to the caravan sector but Stoves has been working hard at developing new markets.

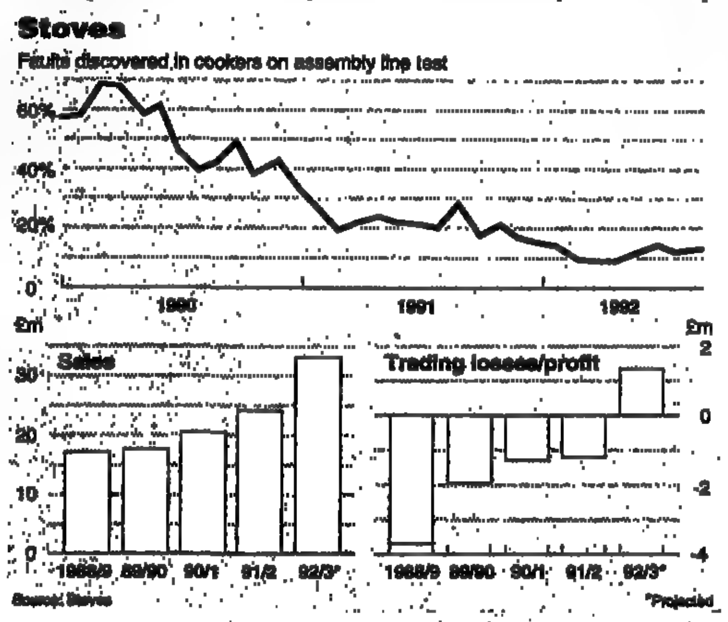
Stoves continues to supply its Valor range to the lower end of the market but it is pushing its more expensive Stoves range. Brand loyalty is practically non-existent in the cooker market, says Guy Weaver, marketing director, so the market place is wide open to the new entrant.

Crathorne's team has taken the company from a £4m loss before the buy-in to its first projected profit of more than £1m this year, despite a 30 per cent contraction in the UK cooker market. It expects to increase pre-tax profits to around £5m on turnover of £50m in two years' time, without any increase in the size of its workforce.

So far so good. But can the company maintain this rate of improvement? As long as Stoves remains a small player it will probably be left alone but further growth may prompt a sterner response from the bigger companies.

While it has no immediate plans to increase the size of its workforce it may find that further growth increases the need for control of its independent "cell" structure. And can it maintain the productivity improvements achieved once the novelty has worn off?

An even more fundamental problem is that of the ownership of the company. The management is working to a five-year timetable to turn the company round after which time financial backers and the managers themselves may want to realise at least part of their investment. The danger is that Stoves would then be bought up by a larger competitor with the risk of losing the characteristics which have made it successful.



Joseph Tipper Ltd.

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Joseph Tipper Ltd.

This long established West Midlands engineering company is involved in both traditional black ironmongery and the manufacture of bespoke aluminium and steel cabinets.

Principal features include:

- BS5750 Part II certification for cabinet division.
- Freehold property comprising 75,000 square feet of accommodation.
- Dedicated foundry (details below).
- Fully equipped workshop.
- Highly respected supplier to the hardware trade.
- Skilled workforce.
- Annual turnover £3.5 m.
- Blue chip customer base.

Rawnsley Foundry Ltd.

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Rawnsley Foundry Ltd., a subsidiary of Joseph Tipper Ltd.

This traditional West Midlands foundry company is involved in hand crafted castings for both Joseph Tipper Ltd and other customers.

Principal features include:

- Long leasehold property comprising 9,200 square feet of accommodation.
- Highly skilled workforce.
- Library of original patterns.
- Home of the "Rawnsley" patterns.
- Annual turnover £300,000.

For further information contact the Joint Administrative Receiver, Alastair Jones, KPMG Peat Marwick, Peat House, 2 Cornwall Street, Birmingham B3 2DL. Tel: 021 233 1666. Fax: 021 233 4390.

KPMG Corporate Recovery

Clark Taylor (Coal)

The Joint Administrative Receivers of Clark Taylor & Company Limited offer for sale as a going concern the business and assets of Clark Taylor (Coal) division.

Principal features include:

- Well established solid fuel wholesalers.
- Annual turnover £7.5m.
- Loyal and respected staff.
- Locations at Annan (Scotland), Gateshead and Exeter.

For further information contact the Joint Administrative Receiver, Geoff Adams, KPMG Peat Marwick, Maybrook House, 27 Grainger Street, Newcastle upon Tyne NE1 5JT. Tel: 091 232 8815. Fax: 091 230 4647.

KPMG Corporate Recovery

The Hildenborough Motor Company Limited
The Wadhurst Motor Company Limited

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of two Kent motor dealerships.

T/A Partners Hildenborough

- Major Volvo franchise dealership established 22 years
- Freehold site of 18,000 sq.ft.
- Turnover approx £9m pa.

T/A Partners Tunbridge Wells

- Major Citroen franchise dealership
- Freehold site of 12,000 sq.ft. purpose built in 1990.
- Turnover approx £4m pa.

Both sites have

- Substantial territories in West Kent
- Extensive customer base with corporate/fleet and private accounts
- Modern, fully equipped servicing areas and manufacturers approved body repair centre
- Fully integrated computer stock control systems linking to accounts function
- Skilled workforce with good admin support

For further information, please contact the Joint Administrative Receiver:
Nigel Ruddock

ROBSON RHODES

The Galleria, Station Road, Crawley, West Sussex RH10 1HY. Telephone: 071 865 2555. Fax: 0293 537921.

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★ Substantial 3 month order book
★ Comprehensive and long established client base
★ Experienced and dedicated staff

For details, contact Michael Stevenson or Ruth Duncan on 071-328 1551 or 071-637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

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- Turnover and Profit Set to Increase
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Contact: Mark Eardely at York Trust Limited, St. Paul's House, Park Square, Leeds LS21 2PJ

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BHT (Holdings) Ltd.
BHT (UK) Ltd.
BHT (Scotland) Ltd.

The Administrative Receivers offer for sale the business and assets of the above group of companies

- *Electrical and mechanical design and installation engineering contractors*
- *Annual turnover exceeds £18 million*
- *Blue chip customer base*
- *Contracts in progress with current asset value of £820,000 with projected sales to final account of approximately £2 million*
- *Orders placed but not yet started of £2.5 million with further orders anticipated of £1.35 million*
- *Highly experienced engineering team including project management supported by in-house CAD department and highly qualified personnel*
- *Freehold property in Newcastle upon Tyne*

All enquiries to Roger M. Griffiths, Joint Administrative Receiver, Ernst & Young, Central Exchange Buildings, 93a Grey Street, Newcastle upon Tyne NE1 6EJ. Telephone: 091-221 1222. Fax: 091-261 2916.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

GREEK EXPORTS S.A.
REPEAT TENDER FOR THE HIGHEST BID

GREEK EXPORTS S.A., with registered office in Athens (17 Panepistimiou Street) and in its capacity as liquidator in accordance with article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991, following the written statement (Ref. No. 582 of 30/10/1992) of the creditor of para. 1 of the above article, that the offers submitted are not considered to be in the interests of the creditors and in accordance with para. 11 of the same article

announces

a repeat public tender for the highest bid with sealed, binding offers for the sale in toto of the assets of the company entitled HELLENIC MARBLES S.A. based in Aghios Stefanos, Attica, and is engaged in the quarrying, processing and sale of marble and its by-products. The company installations are on a self-owned plot of land 48,387 m² in area

TERMS OF THE TENDER

1. To this end, interested parties are invited to receive the Offering Memorandum from the liquidator and to submit a sealed, binding offer to the notary public appointed to the tender, Mrs. Andriani-Dimitra Zapheiropoulou-Economopoulou at 18 Voukourestiou Street, Tel. (01) 361.8249 up to 3rd December 1992 at 1900 hours.

The offer must be submitted in person or by the bidder's legal representative.

2. The bids will be unsealed before the above-mentioned notary on 4th December 1992 at 1000 hours in the presence of the liquidator. All those who have submitted bids within the prescribed time limit are also entitled to be present.

Bids submitted beyond the prescribed time limit will not be accepted and will not be taken into account.

3. The sealed, binding offer must clearly indicate the offered price for the purchase of the company's assets in toto and must be accompanied by a letter of guarantee from a bank legally operating in Greece, to the amount of one hundred million drachmas (100,000,000 drs.) or the equivalent in US dollars (US$).

4. The Company's assets and all fixed and circulating constituent parts thereof such as immovable and movable property, claims, trademarks, titles, rights, for mineral ore exploration, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not, and with the proper legal procedures.

5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 46a, para. 1 as in force), known hereafter as the majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.

6. Prospective buyers hereinafter referred to as "Buyers" shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90. article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.

7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the Company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.

8. In the event that the person to them the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and sign the relative sale contract and fails to abide by the other obligations accruing from the present announcement, then the above-mentioned guarantee of one hundred million drachmas (100,000,000 drs.) is forfeited to the *Liquidator* in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause, and collect it from the guarantor bank.
Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.

9. The highest bidder is deemed the one whose offer has been judged by the Liquidator and approved by the Majority Creditors as being in their best interests.

10. The Liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.

11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against *the Liquidator*, for any cause or reason.

12. Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgagor's fees, rights and other expenses for drawing up topographical diagrams as required by law 651/77, etc.) are to be borne by the Buyer.

13. Those taking part in the auction will be committed to keep the enterprise operating.
For any information, interested parties can apply to:

a) The head office of E.T.B.A. S.A.
Directorate of Public Holdings
87 Syngrou Avenue (2nd floor)
Tel. 30 1 92 94 395 and 30 1 92 94 396 and to

b) GREEK EXPORTS S.A.
17 Panepistimiou Street (1st floor)
Tel. 30 1 32 43 111 to 30 1 32 43 115

STAINLESS AND SPECIALISED STEEL MANUFACTURING FACILITY

Camborne Industries plc
Aberneath Industries Limited

The Joint Administrative receivers offer for sale the business and assets of this manufacturer of revolutionary stainless steel products.

Principal features of the business include:

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- bespoke patented machinery for recycling and compacting scrap metal, and compacting scrap metal in tube for recycling
- limited production of stainless steel products during commissioning
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- sale of assets and intellectual property rights.

For further information please contact Joseph P Considine of Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ. Telephone: 0222 238823.
Fax: 0222 345626.

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Cork Gully

Alexandra Hotels PLC

(T/A Bramley Grange Hotel)

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of the above company. Principal features of the hotel include:

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- *49 bedrooms including 3 executive rooms*
- *Set in 7 acres of landscaped grounds*
- *Annual turnover of approx. £1.0 million*
- *Significant forward bookings for 1993*

For further information please contact Jason Ellis at Ernst & Young, Wessex House, 19 Threefield Lane, Southampton SO1 1TW. Telephone: 0703 230230 Fax: 0703 227409.

ERNST & YOUNG

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REPEAT CALL FOR TENDERS FOR THE HIGHEST BID
for the Purchase of Factory for Refrigerators and Ice Making owned by "KAROLOS FIX" Brewery, Ice and Malt Makers SA", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou street, Athens, Greece, in its capacity as Liquidator of "KAROLOS FIX Brewery, Ice and Malt Makers SA" a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990

is announcing repeat tenders

for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the group of assets of the Company, composed of the Factory for Refrigerators and ice making, in Piraeus.

BRIEF INFORMATION ON THE COMPANY AND THE FACTORY: The Company was founded in 1927 and was involved in the production and trade in connection with brewery, ice and malt making. With the exception of the factory for refrigerators and ice making, the operation of the Company has ceased since 1983, when it was declared under liquidation under Law 2190/1920 and subsequently under Laws 1386/1983 and 1892/1990.

The Company's Factory for Refrigerators and ice making is the only production unit of the Company still in operation. It is profitable and the number of personnel amounts to 22. The facilities are located in Piraeus on a land of 4,075 m² and include 3 buildings.

OFFERING MEMORANDUM-FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.

2. Binding Offers: For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 7th December 1992, 12.00 hours to the Athens Notary Public Anna Tsafara, address: 10-12, Ippocratous Str., Athens, tel.: +30-1-361.95.83 or 364.31.38. Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate).
Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.

3. Letters of Guarantee Binding offers must be accompanied by Letters of guarantee, issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum by a bank legally operating in Greece to be valid until the adjudication, for an amount of drs, fifty million (50,000,000). Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.

4. Submissions: Binding offers together with letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.

5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in her office, on the 7th December 1992, at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.

6. As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), at their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 28% compounded quarterly or yearly.

7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.

8. Mention is hereby made that special additional terms shall apply in respect of the sale of the Factory for Refrigerators and Ice making, in view of the fact that said production unit is in operation and will be sold and that the current assets are subject to daily variation. Such special terms are included in the "Terms and Conditions of Sale" contained in the Offering Memorandum and refer to the consideration of the binding offers in relation to the value of the current assets, the transfer of the current assets and a possible arrangement in respect of the variation of the current assets during the period between the evaluation of the offers and the execution of the contract of sale.

9. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.

10. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers of the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creators for any reason whatsoever.

11. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator's agent: Mr. Nicolaos Barbarassos, address: 59, Panepistimiou str., ATHENS 105 63, tel.: +30-1-321.90.60 or 321.89.80 or 323.14.84, fax: +30-1-321.79.05.

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T/A

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★ Town House Hotel
★ Grade II listed
★ Leasehold 31 years remaining on a 40 year lease. Current rent at £15,000 pa
★ Well refurbished with a Victorian ambience
★ 24 hour porterage
★ Turnover £400,000 pa

THE HOLLAND PARK HOTEL

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★ Freehold
★ Full planning permission for additional 5 bedrooms each with en suite bathrooms
★ Turnover £200,000 pa

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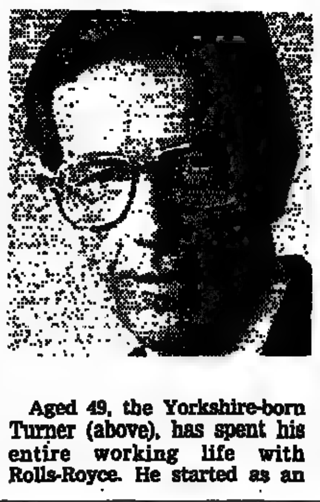
PEOPLE

Lucas fills the Edwards gap

Lucas, the aerospace and car components group recently shaken by some top management turbulence, has moved swiftly to replace Tony Edwards, the head of its aerospace division who abruptly decided two weeks ago to move to TI Group.

The company has appointed Frank Turner, an old hand at Rolls-Royce, the aero-engine and industrial power group, to take over as managing director of its aerospace activities.

Turner, the current director of Rolls-Royce's civil engine business and a well-known figure in the aerospace industry, will also join the Lucas board at the end of this month.



Aged 49, the Yorkshire-born Turner (above), has spent his entire working life with Rolls-Royce. He started as an apprentice and moved on to become project manager of the RB211 engine assembly in the early 1970s. Before becoming director of the company's civil engine business, his posts included financial controller manufacturing, general manager production, director of manufacturing for civil engines, director, company manufacturing engineering, and of industrial and marine.

A strong marketing man, he was closely involved in Rolls-Royce's efforts to expand its civil engine range and increase its market share at the expense of the UK company's two US rivals, Pratt & Whitney and General Electric.

Bodies politic

■ John Rowe QC has been elected unopposed to succeed Lord Williams QC as chairman of the Bar for 1993.

Rowe, 56, has identified five areas on which he will focus during his year in office. He wants to set up free representation and advice schemes around the country to help people with cases before employment, welfare and immigration tribunals for which there is no legal aid; cut costs and delays in both civil and criminal courts; consolidate the Bar's equal opportunities policy; improve standards of education and training at the Bar; and, encourage the Bar to adopt efficient, competitive methods in order to market itself more effectively.

Called to the Bar by Middle Temple in 1960 he practised on the Northern Circuit, based in Manchester, until he took silk in 1982. He is also a member of the Irish Bar. He has a general practice specialising in fraud, personal injury and medical negligence cases. Between 1980 and 1982 he was standing counsel for the Inland Revenue and he served on the Parole Board from 1987 to 1990.

■ John Cartwright, former SDP member for Woolwich, has been appointed a member of the POLICE COMPLAINTS AUTHORITY.

■ David Oake, former sales and marketing director of The Stewart Company, has been appointed director of marketing at the BRITISH HARDWARE & HOUSEWARES MANUFACTURERS' ASSOCIATION.

■ David Gilchrist, general manager, corporate development, of the Halifax Building Society, has been appointed a member of the NATIONAL CONSUMER COUNCIL.

■ John Stevens, formerly head of the Manpower Division of the National Economic Development Office, has been appointed director of professional policy at the INSTITUTE OF PERSONNEL MANAGEMENT.

■ Tony Beechey has been appointed executive chairman of the BRITISH MARINE INDUSTRIES FEDERATION; he was formerly a director of Dynamic Engineering in the US and was also Honorary British Consul in Virginia.

Dales succeeds Hodson at Nationwide

Now is not the optimum time to become the finance director of a building society. The best hope of Alistair Dales, who will become finance director of Nationwide Building Society in January, is that things will have calmed down by then after what he expects will be "a rocky couple of months".

Dales' short-term pessimism about society results due before the end of the year is balanced by a suitably cautious optimism about the longer term. He believes societies are "on the way to the road to recovery" from difficulties created by the slump in the domestic housing market.

He will succeed Daniel Hodson, deputy chief executive and finance director of the society, whose appointment as chief executive of the London International Financial Futures Exchange was announced at the end of last month. But he is keen to dispel any notion that the change will lead to a radical change of direction.

The most that Dales, aged 43 and currently divisional director for finance and controls, contemplates is "tweaking a couple of things at the edges". He expresses determination to carry on the policies of Hodson, who recruited him from Morgan Guaranty to Nationwide in 1989. But he is not above expressing public admiration for the "degree of creativity" shown by other societies in trying to stimulate sales, and rent repossessed properties: "There is a lot to be done, but there is a lot of creativity out there, and a commitment to get things sorted out."

Tim Melville-Ross, the society's chief executive, is full of praise for Dales' range of experience at Morgan Guaranty in Brussels, Amsterdam and London. But his main task for the moment will be the hard graft of cutting costs and improving operations in the traditional domestic business.

City solicitors ride the recession

British charges have not been cut and they compare unfavourably with big US firms, argues Robert Rice

Are British companies paying too much for legal services? Are the UK's top commercial law firms really the most expensive in the world, charging $235 an hour more than their US counterparts? Recent evidence suggests the answer to both questions is yes.

First, the International Financial Law Review produced figures which showed the average hourly rate for legal advice from a partner in a top City of London law firm has risen by 20 per cent over the last 12 months to $585 per hour.

The top rate for a partner in the most expensive Wall Street firms was $350 per hour and the average hourly rate for partners in US law firms was $230 (see table).

Then, Mrs Yve Newbold, Hanson company secretary, speaking at the English solicitors' annual conference in Birmingham last month, attacked "unrealistic" commercial law firms for their failure to reduce their charging rates during the recession.

Finally, a Gallup survey of 200 large and medium-sized UK companies published yesterday revealed that 57 per cent of companies using London law firms and 48 per cent of all the companies surveyed felt they were paying too much for legal advice.

Thirty-four per cent said they had been overcharged by lawyers in the past two years.

The case for the prosecution looks strong but does it stand up to cross-examination? Mrs Newbold stands by her criticism but is quick to point out that Hanson has no problems with the law firms it uses.

The company is large and sophisticated enough and has sufficiently experienced in-house lawyers to drive a hard bargain on rates. Her comments, she said, were directed at companies which did not have this experience or negotiating strength.

She knows of "a number of City law firms" which "it would not be fair to name" charging £450 per hour for advice.

"That is totally unrealistic. Industry is having to be realistic. Top management have had to take pay cuts. How many senior law firm partners have taken a drop in their real income in recent years?"

Mr Barry O'Meara, ICI's deputy group solicitor, believes that if companies are being taken for a ride on costs, it is their own fault.

"They must learn to treat legal services like any other raw material. They would drive a hard bargain when buying widgets; why not when buying legal advice?" he asks.

The solution is to keep a tight rein on how the law firm does the work. "Any businessman who gives a lawyer a free hand is a fool," he adds.

The role of the internal lawyer is key to ensuring that law firms staff the job correctly, do not follow irrelevant lines of inquiry and that the correct level of lawyer is assigned to it.

Mr Peter Hall, general counsel for More O'Ferrall Adshel and chairman of the Law Society's commerce and industry group, says that, although there is now a much greater awareness among commercial law firms of the need to be flexible in their approach to charging, there is still widespread concern among his members about the level of costs in the middle of a recession.

He says one consequence of perceived overcharging by City law firms has been a shift of routine work out of London to the large provincial law firms, where it can often be done to the same standard at half or one-third of the cost. This is borne out by the Gallup survey.

What about the case for the defence? City law firms are still remarkably touchy on the subject of fees. Linklaters & Paines, the UK's second biggest law firm, is adamant that the days of law firms imposing fee structures and hourly rates on their corporate clients are long gone.

Everything is negotiable, including fixed fees, success fees, premium rates for technically demanding jobs, low rates for routine work, and discounts where deals fall apart.

What about the accusation that UK lawyers are the most expensive in the world? Mr Ken Walder, British Petroleum group general counsel, says the apparent difference between the hourly rates of UK and US firms is largely a product of the dollar exchange rate. The difference between the two has narrowed considerably with the pound at $1.53.

He adds that methods of billing are very different, but that he would be "astonished" if he got a bill from a UK firm for almost twice the amount charged for similar work by a US firm.

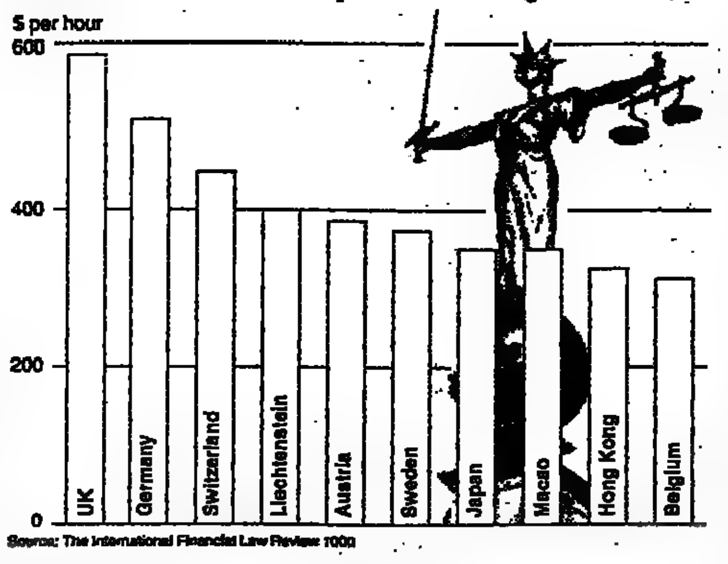
Linklaters would not dispute that. But it adds that UK lawyers only charge "a fraction" of the hours billed to clients by US lawyers each year, so a comparison of hourly rates is meaningless. The International Financial Law Review figures are simply not comparing like with like.

This is not an argument which cuts much ice with Mr Bruce Buck, the senior London partner of New York law firm Skadden Arps Slate Meagher & Flom. "If they are billing less hours and at the end of the day the client is not paying any less, then they are simply billing less hours at a much higher rate."

Wherever the truth lies in this debate, commercial lawyers still need to beware. The Gallup survey revealed that 47 per cent of the companies questioned felt their accountants had provided the best service over the past 12 month, compared with only 36 per cent who rated their solicitors as the best.

With multi-disciplinary professional partnerships just around the corner, perhaps the writing is on the wall.

The world's most expensive lawyers



Source: The International Financial Law Review 1000

UK judge explains Court's balancing act

The European Court of Justice's annual All Saints vacation last week gave the judges time to pause and reflect on what lies ahead. In particular they were busy preparing for the celebrations to mark the ECJ's 40th anniversary. On December 4, the president of the Court, Judge Ole Due, will host an anniversary meeting attended by, among others, his counterparts from the Commission and the Parliament and, as a representative of the UK presidency of the Council, Lord Mackay, the Lord Chancellor.

States' rights

The UK judge, David Edward, speaking to the UK Association for European Law in London on the subject of "member states' rights", outlined how the Court sees its current role against the backdrop of recent historical and political developments in Europe.

He reminded his audience that the EC legal system is not static but responds to the political and economic trends around it.

Until another institution undertook political responsibility for the Community, the Court would continue to be criticised for its role, not because it is a political court but because the issues which it deals with are political, he said.

The economic and political dimension are relevant to the Court's decision-making. The risk of legal incoherence would continue as long as it was the ECJ which had to fill the political vacuum in the EC.

Relying on the flexible nature of the Rome treaty's constitutional charter, the Court's approach to its task was increasingly expressed as a balancing of the different economic and political interests represented by the Community, the member states and individuals, Judge Edward said.

Coloroll pension trustees case

Judge Edward stressed the importance for international business of tracking the development of this balancing exercise over the coming months, as important cases in the fields of the internal market, competition, state aids and state monopolies come before the Court.

Judge Edward referred, for example, to the *Coloroll Pension Trustees* case (C-200/91) which follows on and seeks clarification of issues raised by the *Barber* case. Even if the Maastricht treaty's protocol limits the application of equal pay principles in the pensions context to after the *Barber* decision, many complex questions about the practical effects of equal pension rights remain to be answered.

The Court will hear the case at the end of January next year, along with test cases from Germany and Holland which raise similar issues. The Court will therefore have the opportunity to clarify in a pan-European context the issues of retrospection and the use of sex-based mortality tables.

The Court must decide whether equality is required only for pension benefits earned by service since May 17 1990, the date of the *Barber* judgment, or for benefits which become payable after May 17 1990, whether they were earned by service before or after that date. The difference in the cost of these interpretations to British pension schemes has been estimated at £40bn.

The court will also have to decide whether the equal pay requirements of the Rome treaty ban the use of mortality tables which reflect the differing life expectancy of men and women. If they do, annuities, tax-free lump sums, money purchase benefits and transfer values will all have to be calculated on a unisex basis. This is a requirement of the Equal Rights Amendment in the US, but is not usual in Europe.

As a measure of how important this case is to EC governments, the court will hear submissions from the UK, Ireland, Holland, Germany and Denmark, as well as the European Commission. The advocate general's opinion is expected by April and the Court's judgment just before the start of the summer vacation in July.

Sunday trading

Judge Edward also cited the Sunday trading cases as examples of the Court's recognition of member states' rights, in the context of the Rome treaty's free movement of goods rules, to maintain cultural and religious values, subject to objective justification and proportionality. Judgment in the *B&Q* case (C-169/91) referred to the ECJ by the House of Lords is expected shortly.

Another test case moving through the Court at the moment is the *Vereniging Veronica Omroep* case (C-148/91). It concerns the compatibility with treaty rules on free movement of capital, establishment and services, of the Dutch television broadcasting authorisation rules. The Dutch law restricts the business activities and investment freedom of licensed operators to achieve pluralistic and cultural objectives. Advocate General Tesauro will deliver his opinion to the Court on November 18.

In total there are more than 700 cases pending before the ECJ. These include 340 cases commenced in 1991 and more than 350 cases already filed in the first nine months of 1992.

BRICK COURT CHAMBERS, BRUSSELS

LEGAL BRIEFS

Atlantic Computers disclosure

Spicer and Oppenheim (now part of Touche Ross) has lost its battle to avoid handing over to the administrators of British & Commonwealth Holdings all books, papers and other records relating to B&C's 1988 acquisition of Atlantic Computers, the collapsed computer leasing company.

Atlantic went under in April 1990 with a deficiency in its assets of some £279m, shortly before B&C itself went into administration. B&C's administrators felt there were "serious questions" about Atlantic's business and representations made to B&C at the time which needed answering.

Spicers argued that, under the 1986 Insolvency Act, it only had to hand over sufficient information to the administrators to "reconstitute the state of the company's knowledge" if it had remained solvent.

The Law Lords disagreed. The protection offered by the act lay not in limiting the category of documents but in the fact that the person applying for a production order had to satisfy the court that it was justified, and that it would not impose an unreasonable burden on the person concerned. The application was not necessarily unreasonable because it was inconvenient for Spicers, or might provide ammunition for a claim against it.

Fraud in firms

Touche has been offering advice on how to tackle the growing problem of fraud by solicitors. Among its suggestions to the Law Society are: each firm to maintain a specific level of partner's capital; compulsory review of a firm's management systems before it is allowed to hold clients' money; and partners to confirm compliance with accountants' reports rules.

ARTS

'Nature morte avec une tête de taureau rouge', 1938, by Picasso

God among the pots and pans

William Packer admires the still-life paintings of Picasso

Should the myth still persist that Picasso was no more than this century's greatest charlatan and fraud, this exhibition at Paris should finally explode it. Its subject is Picasso as a painter, and occasional sculptor, of the still-life, and it fills two large galleries on one floor of the Grand Palais.

Given the size of the known *oeuvre*, it would have been infinitely extendable. But the exhibition has been beautifully chosen, its scope perfectly balanced to its concentration. It has already been seen in Cleveland and Philadelphia and this is its sole European showing. There can be no better reason for getting to Paris before the year is out.

"God moves among the pots and pans", said Saint Teresa of Avila. Picasso made much the same point himself in saying that "the most ordinary of objects is ... a vehicle for my thought – just as the parable was for Christ." The principle of much in little, of virtue in simplicity, of all the world in a grain of sand, is, in whatever guise, unanswerable. For the artist the still-life has been a focus of preoccupation since art began. The symbolic appurtenances of the hero or the attributes of the saint may have served the purpose of simple identification but, more than that, the flower at the foot of the Virgin, the lily in the hand of the Angel, brought back the story into the real world, brought it quite literally down to earth.

Still-life became a distinct discipline during the more secular post-Reformation world. It is in relation to that movement that we can see more clearly the significance of Picasso. For the point of the still life, is that the artist is confronted by objects which are real, immediate and commonplace. The effect upon a true artist is to drain off all self-conscious cleverness and formality. The still life offers no model to flatter or seduce, no grand design to achieve, no patron to please. The work is done for its own sake, enabling the artist to try out ideas, to experiment, to analyse, understand and realise forms.

It is thus no accident that still-life should have been the staple of Picasso's work at the time of his most intense and private research, along with Braque, in the great Cubist adventure in the years around 1910. And how odd it is that all this high-cubist *nature morte*, (as the French call it with conscious irony) that once seemed difficult and austere, should now appear to us rich, lively and beautiful.

Picasso's lifelong interest in still-life is displayed at this exhibition: here are the bowls of fruit, the glasses, bottles, the pipes and papers, and the guitars. And ever present, too, is mortality as *leitmotif*, the skulls and heads, the fish and fowl for the table, *nature morte* indeed. Such symbolism might seem especially poignant in the work of the early 1940s, for Picasso was in Paris throughout the Occupation. Indeed, it is generally agreed that his work was especially dark and gloomy during that time.

Here is a painting of late May 1940, of a fish and a crab apparently biting and clawing at each other, with the Battle of France still fiercely in progress and occupation by no means certain. And here is the "Tête de mort" of 1943, the image an abstracted death's head modelled and cast in bronze. Some of the most obviously angst-ridden works date rather from later 1930s, post-"Guernica" (his response to the Spanish civil war)and a time when his private life was particularly disrupted. Little is known of Picasso in Paris during the war. He was a distinguished neutral alien in his later middle age; materials no doubt were hard to come by, scope and palette alike necessarily restricted. I believe he simply kept his head down in difficult and gloomy times.

Some wonderful things came out of this period, all as formally lively and wittily inventive as ever, sometimes even positively light-hearted. A *grisaille* of May 1941, than which one might think nothing would be gloomier, turns out to be of a coil of sausage, a bottle and artichokes upon a table, and the knives and forks springing out of the open drawer, like nestlings clamouring to be fed. More soberly, the exhibition shows the life-long centrality of cubism to the work. Once established, it might rest for a while suppressed beneath the surface, but it was always present as a powerful and determining creative force.

The exposition of the young artist's development through the 1900s, from precocious talent to the mature and full achievement of cubism, affords the show's greatest thrill. The proto-cubist works of 1906 to 1909 in particular, as they move out of the shadow of "les Demoiselles d'Avignon" towards a more universal, less equivocal image and reference, are astonishing for their formal certainty and monumental character. In later periods Picasso would often achieve still life on the grand and monumental scale, but never would he surpass the achievement of those early years. The large canvas from Basle, of the table with its leaf down across the picture plane, its top established by bread and fruit and grey compotier, and more bread leant against the wall and the green curtain behind, turns the corner from Cézanne towards the modernism, in all its aspects, of our own time. It is, in its simplicity, one of *the great paintings of the century.*

Picasso et les choses: Grand Palais, Paris, until December 28; sponsored by United Technologies.

Theatre/**Alastair Macaulay**

Marlowe's 'Dr Faustus'

The Nottingham Playhouse has here an example of director's theatre at its most superficial, with poor Marlowe's *Dr Faustus* served up as (a) style and (b) comedy.

Director Phelim McDermott and designer Julian Crouch have dressed Faustus, Wagner and other mortals in darkly drab Dickensian attire while the devils are kitted in modern suits and primary colours. (Mephistopheles is in bright yellow from head to toe.) The music, by John Winfield, is booming sub-Vangelis stuff that drowns many of the words. You do not see Helen of Troy; you just see wind pouring through a red-tunnel. And, thanks to the wind and the music, you can't hear what Faustus says about her, though this – "Is this the face that launched a thousand ships?" – is the most famous speech in the play.

The action all takes place in Faustus's study, a tall library stuffed with books – reminiscent of the set for the 1975 RSC staging (with Ian McKellen). An ensemble of seven plays all the characters other than Faustus and Mephistopheles, and they seldom leave F and M alone. They keep filing through the library as if it were the British Library's Reading Room; they wear books as *mortar-boards*, they plant books down as stepping-stones, they flutter books in the air like birds, they pop in and out of their study's doors and windows and the perpetuate a *constantly surreal*, *amusingly* bizarre, atmosphere.

Thanks to them, the interest of this *Faustus* is all on the sidelines. The main event is the comic masque of the seven deadly sins. With grotesque masks and costumes – a witty mix of Bosch, Daumier and Dali but in pale papier-maché. Lechery is a woman with a parasol, a bustle and a huge phallus rearing up from under her skirts. Amid a production that is generally unconcerned with fidelity to Marlowe's text, these sins are encouraged to ad-lib, commenting on their role-playing with campy lines like "that's a lovely line, that. Next line is better." Another romp is the knockabout treatment of the Pope in Rome, with wordless chanting and silly ritual, which Faustus and Mephistopheles disrupt with various invisible-man tactics. And the sorcerer's-apprentice scenes for the servants with Faustus's books are the best fun of all.

McDermott's direction, however, makes Faustus himself flimsy. Jamie Newall is a smug Oxford-postgrad Faustus, with a wretched habit of leaving his mouth gaping open at the end of a line. Though he has worked out a carefully mannered, would-be classical, actorly interpretation of the text, he has no urgency. Michael Cashman's Mephistopheles is more natural in emphasis but nothing about him is as forceful as the colour of his suit. Both he and Newall are lightweight baritones who ensure that the play's central drama remains in a stuffy shade of woollen grey. It is hard to forgive actors wasting such roles as these – but the fault is less theirs than McDermott's. *Dr Faustus* has both comedy and surrealism, sure. But, according to McDermott, not much else.

At the Nottingham Playhouse until November 28

Opera/**David Murray**

Le Roi malgré lui

Emmanuel Chabrier's last opera ("King in spite of himself") was another *opéra-comique* like his *L'Etoile*, but musically even richer. A broader dramatic range (since *L'Etoile* he had composed his "serious" Saxon epic *Gwendoline*); splendid tunes, mostly of a quirkily original cut, and tingling orchestration; and a feast of adventurous harmony, which supplied Ravel with take-aways for several years.

The reason why it is almost unknown – and Saturday's concert performance by the Chelsea Opera Group was doubly welcome – is not, I think, quite what the COG's commentary suggested: that the plot is hopelessly complicated. Many of Feydeau's farces would seem as baffling if recounted in detail, but like them most of *Le Roi* should be clear enough when played out in its audience's own language. The trouble is rather that the disguises and surprises are too arbitrary to generate enough comic tension.

Furthermore, it needs so much spoken dialogue that the opera becomes unfeasibly long. Though the COG omitted that altogether, the music still filled two and a half hours (plus interval), with scarcely a number that one would sacrifice. Michael Lloyd conducted it with terrific style and energy: should anybody devise a stage-rescue for the piece, they should ring him at once. The COG orchestra played up exuberantly, failing only to make Chabrier's most elaborate tuttis shine as clearly as they might.

Having nothing to do but sing, the cast were eager and willing, and two were outstanding. Elizabeth Gale's Minka (Polish mistress to the Comte de Nangis, whose mission is to ensure that the reluctant Henri de Valois accepts the Polish throne) grew ever brighter and more heartfelt. Geoffrey Dolton's wry Venetian Duke delivered his *couplets*, and everything else, with faultless, up-front panache: he is a gift to the French 19th-century repertoire, and should be exhibited in a lot more of it.

Paul Napier-Burrows represented poor Henri mildly and pleasantly, but without much character – though Henri may be a hapless wimp, he is nonetheless the wimp in the *middle*. As his ex-mistress Alexina, the Venetian's wife, Anne Heath-Welch sang with gusto and a raw edge in her upper register; her machinating Polish uncle, Count Laski, was the sound, imperturbable Brian Bannatyne-Scott. If David Owen's forceful tenor gusto missed something of the Comte's disarming fecklessness, his lusty, hell-for-leather contribution to his final duet with Minka would surely have gladdened the composer's heart. Full of heart and wit as it is, Chabrier's music never forgets the loins either.

And now: will somebody please mount a competition for a new *Roi* libretto? It would need to take careful account of the situations to which Chabrier's music answers so neatly – but those could be accommodated within a tighter story and terser dialogue. It would be essential to keep the period-feel: not the historical Henri's period (late 16th-century), but Chabrier's (Feydeau and Labiche). If done cleverly enough, that could reinstate this sunny masterpiece to the repertoire.

COG season supported by Mobil North Sea Ltd. and McKenna & Co.

Concert/**David Murray**

Flotsam, jetsam and Ravel

At the Barbican on Sunday, Kent Nagano conducted the London Symphony in a curious programme. The first half was a showcase for John Williams' guitar, which guaranteed a full house but required little more than tactful accompaniment; in the second we got Ravel's complete *Daphnis et Chloé*, which is both an audience-puller and a serious test for a conductor.

In Rodrigo's evergreen *Concierto de Aranjuez*, featherweight but elegant, Nagano missed nothing, and Williams – whom I have not heard in several years, since he moved home to Australia – not only proved that his formidable technique is still secure, but found new expressive depths and shadows in his cadenzas. So far, so admirable. Unfortunately he chose to follow the *Concierto* with a UK premiere, the "Antarctica" Suite by Nigel Westlake, a colleague from his new ensemble ATTACCA.

It is adapted from Westlake's score for a monster-screen movie – where for all I know, the composer's catch-as-catch-can invention may work perfectly. As re-composed for virtuoso guitar with small orchestra, however, it cut no ice to speak of: bits of *ad lib* solo virtuosity were pinned on to swatches of pictorial colour and that was that. No direction, no point, nothing but random effects; one would go to some trouble to avoid hearing it again.

Nagano's account of Ravel's *Daphnis* sounded like a promising first shot. On the minus side, there were unresolved problems of balance: the nine-strong percussion section and the brass often covered vital thematic stuff from the strings, and in turn they were themselves sometimes blotted out by the LSO Chorus – far too numerous for their collective role here. Those wordless voices should be one strand in the texture, not pugnacious competition; and besides, in their testing *a cappella* interlude they came uncomfortably close to losing their grip on pitch.

On the plus side, however, Nagano preserved the crucial balletic pulse better than most conductors. The score lived and breathed. For Chloé's heartbroken dance in piratical captivity, he found pathetic accents of speaking force – more exposed than in any account I remember, but utterly true to Ravel's intentions.

In the last, "wild" – though rigorously controlled – *Danse générale*, Nagano took note of something that all programme-notes are too polite to mention: that the ancient Greek *Daphnis* tale was expressly about sexual innocence and subsequent happy discovery. Even Diaghilev preferred to leave that decently obscure; but Ravel spelt it out in the near-orgasmic cries of his final chorus, coming quicker and more urgent as the tempo contracts from 5/4 time to 3/4 and then to 2/4, with a gross full-orchestra trill on the last chord. Nagano gave all that full value, and quite right too.

Concert/**Richard Fairman**

Stephen Kovacevich

While there is no sign of rising unemployment in the ranks of pianists and conductors, the practice of job-sharing continues. The number of pianists who follow a double career as conductors includes such eminent keyboard players as Daniel Barenboim and Christoph Eschenbach, to whom in recent years we have also had to add the name of Stephen Kovacevich.

As his conducting duties have grown, Kovacevich (previously Stephen Bishop, then Bishop-Kovacevich) has been seen far less in recital. A new recording contract would, however, seem to be pointing him back in that direction. His weekend appearance in a South Bank piano matinée was a welcome return, both to the Royal Festival Hall and the sonatas of Beethoven, in which he was always respected.

It is in the classical repertoire that Kovacevich has mainly won his laurels. But even among the noted classical pianists, he has a distinct personality. There is not the intellectual rigour that marked out Serkin, with his determination to shine a bright light of clarity over the music and throw every inner voice into relief. Nor does he have the determined rhythmic grip that marks out, say, Annie Fischer and others.

For Kovacevich power and momentum fuse to provide the driving force. He played two sonatas in this programme, the "Waldstein" and the A flat major, Op.110, and both of them wanted to be fast and furious. It may be that the violent contrasts catch the Beethovenian spirit, though it was difficult to reconcile the hushed *piano* of Op.110's Arioso, when it was followed moments later by the thundering entry of the fugue in the left hand.

The "Waldstein" was an exciting performance – at a price. Again the quieter passages were properly reflective. But once the momentum was up, the music hurtled forwards with little sense of there being the control to guide it. The thrill was undeniable, but this was a big-dipper performance that ended up throwing other musical virtues to the winds. The last climax before the end became a noisy, incoherent, headlong assault.

In between, there was the solace of Schubert. Two late collections, the *Moments musicaux*, D780, and 12 Ländler, D.790, offered playing of genuine subtlety, the inimitable Schubertian harmonies sensitively touched upon, the colours delicately varied: another Kovacevich altogether. Played like this, these supposedly simple pieces seem to take on almost the richness of the Chopin Mazurkas.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
In tonight's concert at the Concertgebouw, Ken-Ichiro Kobayashi conducts *Netherlands* Philharmonic Orchestra in works by Smetana, Tchaikovsky and Musorgsky. Tomorrow (also Nov 19 and 27): Nikolaus Harnoncourt conducts Royal Concertgebouw Orchestra in symphonies by Haydn and Schubert. Fri: Kobayashi conducts Het Brabants *Orchestra, with violin soloist* Emmy Verhey. Sat afternoon: Alberto Zedda conducts concert performance of Bellini's La sonnambula, with Luba Orgonasova. *Sun evening: Mariss* Jansons conducts Oslo Philharmonic Orchestra in works by Weber, Grieg and Stravinsky. Next Tues: Hans Vonk conducts Radio Philharmonic Orchestra in works by Webern and Debussy. Nov 24: Midori. Nov 29: Andras Schiff (6718 345)

OPERA
This month's Netherlands Opera performances at Muziektheater are devoted to Cosi fan tutte, *conducted by Nikolaus* Harnoncourt, with a cast including Anna Steiger, Laurence Dale and Gilles Cachemaille. This week's performances are *on Thurs and Sun afternoon* (6255 455)

DANCE
Tonight and tomorrow at Muziektheater: French *experimental choreographer* Mathilde Monnier. Fri, Sat, Sun: Trisha Brown Company (6255 455)

■ BRUSSELS

Palais des Beaux Arts Tonight's concert features Jean-Pierre Ramphal as soloist in Mozart's *Flute Concerto. Next Mon: Yuri* Temirkanov conducts St Petersburg Philharmonic, with violin soloist Vladimir Spivakov (507 8200)
Monnaie Tonight, Thurs and Sun: Un ballo in maschera, staged by Guy Joosten and conducted by Antonio Pappano (219 6341)
Théâtre Varia Rosas, Anne Teresa de Keersmaeker's experimental dance company, gives performances on Thurs, Fri and Sat of a work set to music *by Steve Reich* (219 6341)

■ CHICAGO

CHICAGO SYMPHONY
Georg Solti conducts the next two weeks of concerts at Orchestra Hall: the programme on Thurs, Fri and Sat consists of symphonies by Haydn and Bruckner. Nov 25: Pierre Boulez begins a four week residency (435 6666)

CHICAGO LYRIC OPERA
William Bolcom's new opera McTeague can be seen at Civic Opera House on Thurs and Sun. Pelléas et Mélisande, with *Frederica von Stade and Jerry* Hadley, opens on Sat in a production conducted by James Conlon (eight performances till Dec 5). Nov 28: *revival of* Un ballo in maschera (332 2244)

■ MUNICH

Herkulessaal der Residenz
Tonight: Leo Nucci song recital. Sat: Tedd Joselson piano recital. Next Tues: violinist Thomas Zehetmair (299901)
Gasteig Thurs: James Galway *is soloist in a Bach and Dvorak* concert by Wurttemberg Chamber Orchestra (983898). Fri: Pinchas Zukerman plays Bach with Frankfurt Radio Symphony Orchestra (346620). Sat, *next Mon* and Tues: Jessye Norman sings Strauss' Four Last Songs with Munich Philharmonic. Sun: John Eliot Gardiner conducts North German Radio Symphony Orchestra in a Schumann programme. Nov 18: Svetlanov conducts Rakhmaninov. Nov 20, 21: *Valery Gergiev* conducts Prokofiev (48098 614)
Prinzregententheater Fri: Margaret Price song recital. Next Tues: Teresa Berganza. Nov 24: *Renato Bruson* (221316)

■ PARIS

DANCE/OPERA
Opéra Ballet revives the Bourmeister staging of Swan Lake on Fri at the Bastille for *15 performances till Dec 31* (4001 1616). Saint-Etienne Massenet Festival production of Esclarmonde opens at Opéra Comique next Wed for nine *performances till Nov 28* (4286 8883). Gounod's Faust opens at the Bastille on Nov 27 (4001 1616)

CONCERTS
Djansug Kakhidze conducts the next two weeks of concerts by Orchestre de Paris at Salle Pleyel. On Thurs and Fri, the programme includes symphonies by Stravinsky and Honegger. Next Wed and Thurs: Pierre Amoyal is violin soloist in works by Ravel and Chausson. Nov 25, 26, 27: Giulini conducts Mozart and Dvořák (4563 0796). Alexis *Weissenberg gives a piano* recital on Fri in the Théâtre des Champs-Elysées. Sun morning: Mischa Maisky and Martha Argerich play cello sonatas. Next *Mon: François-René Duchâble* plays Chopin (4720 3637). Next Mon at Le Rond Point, Théâtre Renaud Barrault: Kent Nagano conducts works by Emmanuel Nunes (4296 9694). Next Tues at Opéra Comique: Cécile Ousset plays Saint-Saëns (4286 8883). Nov 18 in Bastille: Lutoslawski conducts Lutoslawski (4001 1616). Nov 22 at Châtelet: John Eliot Gardiner conducts Schumann (4028 2840). Nov 23 at Salle Pleyel: Maurizio Pollini (4561 0630)

JAZZ/CABARET
Jazz Club Lionel Hampton This week: Kenny Garrett Group. Next week: Bobby Blue Bland. Nov 23-Dec 5: Johnny Copeland. Music from 22.00 (Hotel Meridien Paris Etoile, 81 Boulevard *Gouvion St Cyr, tel* 4068 3042)
Bastille Studio Jazz trumpeter Alain Brunet and friends can be heard on each of the next three Fridays from 18.30 (4001 1616)

THEATRE
● Hello Dolly!: the Broadway musical opens at the Châtelet on Thurs, runs till Jan 9 (4028 2840)
● Facing North: a Meredith Monk production can be seen tonight, tomorrow, Fri, Sat and Sun at Le Rond Point, Théâtre Renaud Barrault (4256 6070)
● Heart of Darkness: Joel Jouanneau's stage adaptation of Joseph Conrad's novel, daily except Mon till Nov 22 at Théâtre de l'Athénée (4742 6727)

■ WASHINGTON

OPERA
Washington Opera's new *production of Otello can be seen* tomorrow (also Nov 15, 17, 20, 23, 28). Rimsky-Korsakov's Tsar's Bride opens on Sat. Tomorrow in Terrace Theater, John Shirley-Quirk heads the cast in two chamber operas by Dominick Argento (Kennedy Center 467 4600)

CONCERTS
● National Symphony Orchestra: tonight's concert is conducted by Michael Morgan and features music by Haydn, *Gershwin and Schumann. Thurs,* Fri afternoon, Sat: Zdenek Macal conducts Dvořák's Stabat Mater. Next week: Macal conducts Mozart and Mahler (467 4600)
● The Kennedy Center concert programme also features Calgary Philharmonic tomorrow with Edith *Wiens as soloist* in Britten's Les Illuminations, a recital by jazz pianist Dorothy Donegan on Thurs and a piano recital by Yefim Bronfman on Fri (467 4600)

THEATRE
● Grapes of Wrath: an adaptation of John Steinbeck's epic of the Great Depression. A Washington Shakespeare Company production. Till Nov 28 (Gunston Arts Center 703-739 9886)
● The Lisbon Traviata: Terrence McNally's play about the quest for a pirate copy of Maria Callas' performance of Verdi's opera. Opens tomorrow, till Dec 13 (Studio Theater 332 3300)
● The Way of the World: Willaim Congreve's comedy of love and marriage. Till Nov 22 (Arena Stage 488 3300)

■ ZURICH

OPERA
Tonight's performance at the Opernhaus is Bernd Roger Bienert's production of Nutcracker (also Fri and Sun evening). Tomorrow and Sat: Fedora with Baltsa and Carreras. Thurs and Sun afternoon: Capriccio (262 0909)

CONCERTS
Tonight in Tonhalle: Edmond de Stoutz conducts Zurich Chamber Orchestra and Concert Chorus in Beethoven's Choral Fantasy (Homero Francesch) and Second Symphony (252 1737). Sun: *Empire Brass.* Nov 17, 18, 19, 20: Claus Peter Flor conducts Bartok and Beethoven (206 3434)

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon. Thurs) FT Business Weekly – global *business report with James Bellini*
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Tuesday November 10 1992

How to escape a trade war

HEGEL REMARKED that "what experience and history teach is this – that nations and governments have never learned anything from history". To this his pupil, Karl Marx, added that history reappeared "the first time as tragedy, the second as farce". Marx looks right, for a change. The world economic malaise may soon be aggravated by a "trade war" between the European Community and the US over less than 2m tonnes of oilseeds. This farce must be stopped. Immediate responsibility for doing so rests with the EC.

Allegations of interference by the president of the Commission, Mr Jacques Delors, in the work of Mr Ray MacSharry as farm trade negotiator – a position he himself had arguably usurped from Mr Frans Andriessen, the commissioner for external affairs – are just symptoms of the malaise. The disease is confusion over the role of the EC in the world.

Mr Delors has argued that "adolescent Europe" should be able to say no to its American big brother. So it should. The question is over what. Can the EC wish to make its refusal to accept two adverse Gatt panel findings on its oilseeds regime the principle on which, like Martin Luther, it must take its stand, because it can do no other?

What needs to be recognised now is, first, that the oilseeds dispute and the Uruguay Round, though connected, are at least juridically separate; second, that the credibility of the Gatt dispute settlement process is under test; and, finally, that the underlying Gatt principle of reciprocity does allow the US to withdraw concessions from the EC. This withdrawal can be up to the value of the losses imposed by the EC oilseed regime, which Gatt panels judge to have unfairly damaged the interests of the EC's trading partners. Counter-retaliation by the EC would be a different matter. It would take the dispute into uncharted territory.

The EC should, instead, accept the American proposal for binding arbitration on the size of the losses imposed by its oilseeds regime. It should also agree that the US may withdraw concessions equal in value to the losses identified by the arbitrator, if agreement cannot be reached on changes to its oilseeds regime. Such a rebalancing of the account in a protectionist direction would be far from ideal. But the potentially lethal infection from the oilseeds dispute would have been sterilised.

With the oilseed dispute contained, the wider question of the Uruguay Round could be tackled once more. Mr Arthur Dunkel, the Gatt's director general, should consider calling the negotiators back to Geneva. This would seem to be particularly timely now that the EC negotiation is back in the hands of a man responsible for trade policy as a whole. It also looks as though the best chance of resolving the outstanding issues in farm trade might be in the context of an overall negotiation.

Some in the EC appear not to want the round completed at all, whether for domestic political reasons or because they believe the EC will be strengthened by a confrontation with the US. They play with fire. Neither the political cohesiveness nor the economic strength of the EC would be strengthened by failure of the trade negotiations, particularly if the EC were to be blamed for the collapse.

This is looking increasingly like a pivotal moment in the post-cold-war era. An intrinsically trivial dispute over oilseeds could lead to the disintegration of the Uruguay Round and even of the GATT; it could divide the US from the EC; it could create serious friction within the EC; and it could imperil world prosperity. A few hundred million Ecus worth of soyabeans are not worth the risk. Let the epitaph on postwar international economic co-operation not be that for once people did learn from history, but then they forgot.

The Matrix case

THE CASE against three former executives of the Matrix Churchill company, withdrawn by the public prosecutor yesterday, has cast a disturbing glare on the apparent ineffectiveness of government controls on exports of military hardware. What is not clear, however, is whether these procedures were merely ineffective, or whether in some sense the government was conniving at the circumvention of its own declared export control policy, in pursuit of quite different foreign policy objectives.

The executives were accused of selling machine tools to Iraq during the Iran-Iraq war, despite a government ban on military-type exports to either of the warring parties; but it emerged in court that Mr Alan Clark, former trade minister, and government officials had deliberately encouraged the company to conceal what they knew was the military end-use of the machine tools.

The weaknesses of the export control procedures were inevitably compounded by the involvement of British intelligence. Illicit arms exports may seem to be a useful channel for acquiring sensitive information. Yet Britain, along with its allies, proved anything but well-informed about Iraq's political intentions and about its weapons programmes. So perhaps the trade was more advantageous to Iraq than to Britain.

One plausible explanation for the circumvention of the arms embargo was that the British government secretly supported Iraq in the war against Iran. In principle the embargo was imposed equally on both countries, and no doubt the government would have viewed an even-handed stalemate with equanimity. Yet it undoubtedly feared most the prospect of an Iranian victory, with the accompanying danger that the fundamentalist regime in Tehran could dominate the whole Gulf.

Such a judgment was certainly shared by the French government. But the big difference between British and French policy was that Paris openly proclaimed a strategic alliance with Saddam Hussein, whereas British support remained unofficial. The invasion of Kuwait showed that it was more prudent to fear Iran than to trust Iraq.

As a result, the British government has been embarrassed by the latest revelations; whereas France suffered the deeper shock of a betrayed alliance. But if British governments depart for reasons of state from declared high principle to hard *realpolitik*, at least they should do so with greater competence than was shown in the Matrix case.

CBI obfuscation

THE CONFEDERATION of British Industry has, in recent weeks, shown a willingness to speak out. But by lecturing the government rather than its members, it merely continues the traditional British practice of blaming others for industry's own shortcomings.

"Making it in Britain", a report from the CBI's National Manufacturing Council, is a typically worthy and woolly document. It rightly argues that the British manufacturing base is too small and inefficient. But the overwhelming impression created by the report is that government action is both the primary cause and cure for industry's weakness.

The priorities for industry, listed in the report, are frustratingly vague: industry must "establish a clear sense of strategic direction" and "develop greater consumer focus in every facet of business". It is the government that must act now by cutting corporation tax, lowering interest rates and freezing public sector pay.

Yet the document has a gaping hole. It contains almost no discussion of either pay or profits, variables which industrialists influence directly. The depressing fact is that the productivity gains of the 1980s were consumed rather than invested, something the CBI report omits to mention. Between 1980 and 1990, real wages rose by 18 per cent in the US, 29 per cent in west Germany, 31 per cent in France and 42 per cent in the UK. That is why UK profitability and investment remain low by international standards.

British industrialists and trade unionists pay themselves too much, a reality they squirm to avoid. Ford UK is typical. Since the recession began, its workers have received two pay increases: more than 12 per cent in the first year and 5 per cent in the second, years in which inflation averaged 6.8 per cent and 4 per cent respectively. Little wonder profits are squeezed. But it is not Ford's personnel managers and union negotiators who will lose their jobs.

The UK economy badly needs a strong employers' organisation with the courage to tell its members and their employees that they should put profits and investment before increases in wages and executive salaries. It needs leaders who are prepared to say that pay settlements are still twice as high as they should be if the competitiveness gains from sterling's devaluation are not to be lost. This is a message the CBI, along with the government and the Labour party, finds it impossible or impolitic to articulate.

Chris Patten's proposals for greater democracy in Hong Kong are a high-risk strategy, says Simon Holberton

Detour for the through train

That things in the Colony aren't
what they should be
no one can doubt any longer,
and though in spite of everything we
do move forward,
maybe – as more than a few believe
– the time has come
to bring in a Political Reformer.
C P Cavafy,
In a Large Greek Colony, 200BC

It was clear from the day Chris Patten arrived in Hong Kong that his governorship was going to be different from those of the 27 governors who had come before him.

This was underlined on October 7 when he publicised his proposals for the reform of Hong Kong's political system. In one move he changed the course of British policy towards Hong Kong in two significant ways.

First, he signalled his intention to involve the people of Hong Kong in their political future, in contrast to past colonial policy which had involved only a coterie of local worthies. And second, by saying he would present his proposals to the local legislature if China failed to agree, he went against Foreign Office orthodoxy. This had always stressed the need for British policy to complement what Beijing planned for Hong Kong after its reversion to China in 1997, known locally as the "through train".

Mr Patten's strategy is nothing if not high risk. After a series of unsuccessful meetings with Chinese leaders in Beijing two weeks ago, he now faces protracted trench warfare with China, which has given every indication that it neither approves of his proposals nor is prepared to discuss them further. His, and Hong Kong's, nerve will be sorely tested in the coming months.

It is also a strategy which, if successful, could raise awkward questions in Britain about past policy: in particular, the questions of why the UK did not stand up to China earlier and why it took so long to accelerate the introduction of democracy in Hong Kong.

Mr Patten's proposals for constitutional development of the 60-member Legislative Council (LegCo) in 1995 are not radical by the standards of any western democracy.

In the 1991 elections, businessmen and professionals had two votes – one for a legislator to represent their professional affiliation and another for a geographical constituency. The proposals would extend this right of two votes to ordinary employees in the 1995 elections.

In addition to expanding the franchise, 10 more legislators will be returned to LegCo by selection of an electoral college, which, under the Patten proposals, would consist of democratically elected local officials. As a concession to China, however, he has not sought to increase the number of democratically elected seats from the 20 already agreed with China for the 1995 election. He has also kept liberal politicians off his Executive Council, or quasi-cabinet, which China has always opposed.

To date China has refused to discuss the plans, saying publicly that Britain has reneged on secret agreements made in early 1990. It has threatened to overturn the 1995 elections if conducted on Mr Patten's terms when it takes over in 1997. It has also threatened to repudiate contracts and debt agreements for the colony's HK$175bn (£13.9bn) airport project if he proceeds to build it without China's approval. Talks about the airport broke down three weeks ago and China appears to be in no hurry to settle the issue.

The question now is: can Mr Patten succeed? Or will he inevitably have to bend to China's will? The key to the answer lies in his ability to retain the support of the public, maintain confidence in the colony's economy and most important, get his plans through LegCo. So far, the political tide appears to be turning in his direction.

First, the business community appears to have shrugged off the recent furore. The Hong Kong stock market has continued to rise in spite of the diplomatic stand-off between Britain and China. The prospect of rapid economic development in China has attracted international investors, and Hong Kong is the only market through which they can obtain an exposure to it.

The Hang Seng index – the market's barometer – closed yesterday at 6,267.91, only 1.5 per cent off its all-time high set on Thursday. Furthermore, there is no shortage of money for new listings, another crucial indicator of confidence.

Last week a mainland Chinese company floated a subsidiary and broke all records for a new listing in the colony. China Travel Service sought HK$400m for 25 per cent of an offshoot subsidiary which owns theme parks in China and a freight-forwarding business. The issue was oversubscribed, by 411 times: the market offered CTS HK$150bn.

Further signs that the colony's influential business community is reserving judgment come from business people themselves. According to Ms Sally Aw, chairman of the Sing Tao media and property group: "This is 1992 and by 1995 there will have been a lot of changes. By 1997 the situation will be different again. Anything can happen. By 1995 China may have a different view; I think you have to give them time."

Mr Adrian Fu, scion of the colony's Fu family which has interests in property and hotels in both Hong Kong and China, strikes a similar tone: "No one expected China to agree to Patten's proposals. What was unusual is that he and Lu Ping [China's top official on Hong Kong affairs] had bad words without offending each other."

Mr Patten cannot, however, count on local Chinese business people for much support. Their economic interests, which increasingly lie on the Chinese mainland, will prevent the few who support him from speaking out, because by doing so they invite China's retaliation. As one China expert noted: "These people are vulnerable because the success of projects they are mixed up with in China depends on a corrupt and arbitrary bureaucracy."

The Business and Professionals Federation of Hong Kong yesterday implicitly endorsed Lu Ping's line and called on Mr Patten to withdraw his proposals and seek fresh talks with China. It said it was unacceptable to put in place a political structure which would be dismantled in 4½ years.

Mr Patten will also be denied the support of the expatriate business community. Schooled and brought up in liberal democracies, many expatriates scorn suggestions that the people of Hong Kong are interested in political liberty. They view the Hong Kong Chinese as being more interested in making money.

This perception, however, is not supported by the public opinion polls that the Hong Kong media have been conducting since Mr Patten arrived in the colony in July. One recent poll published by East magazine, a new weekly launched by the popular Oriental Daily, tracks Mr Patten's personal popularity and approval for his proposals in the period from his announcement of them on October 7 until his return from Beijing on October 23. The poll shows that his popularity has fluctuated between 61 and 65 per cent, while approval for what he wants to do has ranged between 70 and 85 per cent.

Other polls show equally strong readings. One in Ming Pao, published four days after his speech to LegCo, showed nearly five-to-one in favour of proceeding with his political reforms even if China objected, which by then was the course it had already embarked on.

This is not to say that Mr Patten has a guarantee of permanent support; many local people are cynical about his motives and see his style of leadership simply as a desire for popularity. "He is trying to push for more democracy in the knowledge that he can't succeed; he is here to fail 'honourably'," noted one local.

The feeling of many working-class people was summed up by Mr Yip Wing Shing, a photocopier repairman. "No one can say at this point if his reforms are good, but I think we should give them a try. Because no one can guarantee that even if we do what China wants now, they won't change things in 1997."

The governor's plans, however, will stand or fall on the floor of LegCo. It is the local legislature which, as Mr Patten constantly reminds it, will have to pass the laws which are needed to conduct the 1995 polls.

Few doubt that if Mr Patten laid legislation before the council today it would be passed. The calculation is a fine one, but according to one estimate the government could count on 27 sure votes compared with 24 – mostly members appointed by Mr Patten's predecessor, Lord Wilson – against. That leaves seven undecided, together with one further legislator he has to appoint. But opinion is volatile.

Views within LegCo are as polarised as the above numbers would suggest. The conservative grouping, which will vote against his legislation, wants him to call a referendum before LegCo votes on the package. "The French have just held a referendum; so have the Canadians," says Mr Allen Lee, leader of the Co-operative Resources Centre, the main conservative grouping. "Do not tell me that democratic countries can hold referenda and Hong Kong cannot. If the people vote for his proposals, then we will go along with them. In the absence of a referendum we will vote against."

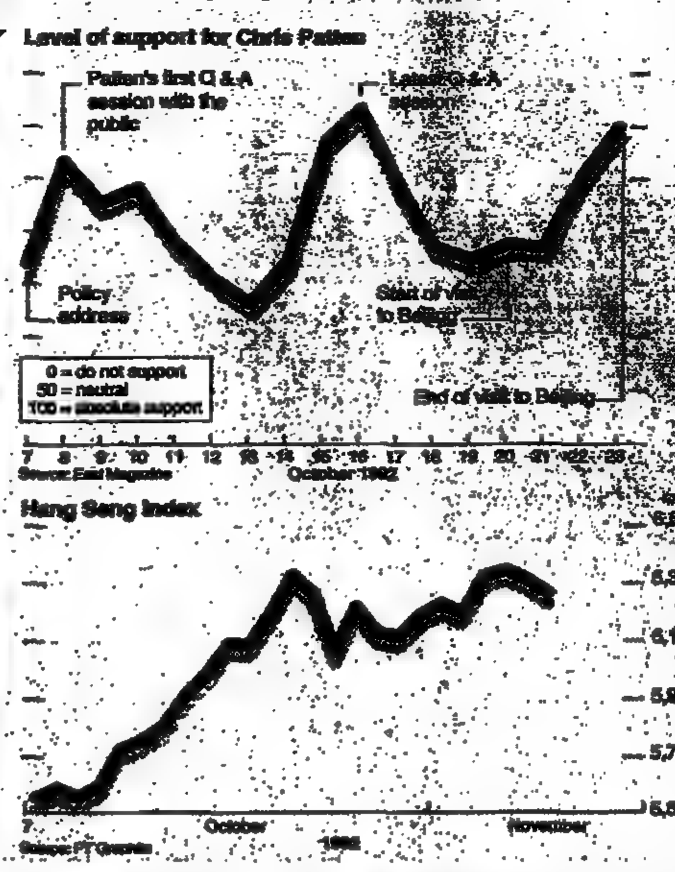
A referendum, however, is unlikely to be held. It is far too close to an "act of self-determination" and Britain has always said such a plebiscite was inappropriate for Hong Kong because it was not being granted independence.

Mr Lee is a believer in the "through train" concept. "If LegCo passes Mr Patten's proposals by a narrow margin – which I think it will – the question still remains, do we want elections that will be good only until 1997? Do we want China to have a total say over who sits in LegCo post-1997?"

Mr Martin Lee, leader of the United Democrats, who supports Mr Patten even though he believes he has not gone far enough, takes a different view. "The lack of convergence is not a big deal," he says. "Why is it so terrible? There is at least a chance that China will not reverse what Mr Patten does. China can ruin Hong Kong if it wants to be bloody-minded. But how does that help China and its economic development?"

This view finds some resonance with Mr Patten's close advisers. One points out that the alternative to the governor's ideas is for Britain to ensure that the politicians whom China does not like do not get elected in 1995. This, he says, is too much to ask. The advisers maintain that the costs to China of reversing a system which Mr Patten believes can be made to work would be too great. To some, however, this rationale echoes the hopes expressed in June 1989, when another group of Chinese free-thinkers faced the authorities in Tiananmen Square.

Hong Kong: how it has greeted the governor



Joe Rogaly

Shuffle shilly-shally

The conundrum of the moment is not whether or when Mr John Major will reshuffle his cabinet, but whether he dares to do so. For any change that the prime minister makes will upset one or another faction of the Conservative party. Instead of restoring his authority, it might leave him in an even more precarious position.

Mr Major managed to avoid this danger when he appointed the inoffensive Mr Peter Brooke to replace Mr David Mellor as secretary for the national heritage. But that was a one-off. There are few Peter Brooke clones, and not one of them is as able as the original. The prime minister tried hard to keep Mr Mellor – partly, perhaps, out of an understandable fear that any move he made could set off an explosion within what has become an extremely volatile party. The same logic suggests a bias in favour of continuity now.

Yet the forces that favour change are strong. Slapping ministers around is the way prime ministers assert themselves. Some incumbents, notably the chancellor, should be moved elsewhere. Those are two positive reasons for encouraging a reshuffle. There is also a reason for not doing so: that the right, having tasted blood in parliamentary battles over the past six weeks, now seeks to demonstrate its strength by telling Mr Major how to construct his cabinet.

None of these arguments is conclusive. A reshuffle does not always have the desired effect on public opinion, as the late Harold Macmillan discovered when he sacked seven ministers in July 1962. That midsummer "night of the long knives" was widely regarded as an act of panic. It was one of the events that led to Macmillan's downfall 15 months later. Then again putting a new chancellor in would not itself restore confidence. Much would depend on who was chosen. Mr Major's difficulty is that the party has as much to say about that as he does, and it may reject his first choice.

As to the ambitions of the impertinent right, there is little to be done even if the prime minister is weak enough to accede to its demands. All the right-wingers of stature are now in the House of Lords. Lady Thatcher and Lords Tebbit, Parkinson and Ridley are unavailable to the Commons. So is Lord Lawson, a right-wing conservative of a different stripe. Lord Howe, who is pro-European and not in any anti-government faction, is also trapped upstairs.

It would make little difference to the unity of the Tories if all six of these noble persons were still MPs. The thrust of their common European policy when in office was at least as pro-European as the one the Tory Europhobe right is currently attempting to destabilise. Their absent heroes, and heroine, acted one way then, and speak another way now. The Single European Act gave more central power to the Brussels bureaucracy than any other instrument since the Treaty of Rome was signed in 1957. That act was initiated, bargained for, and bulldozed through by a gang of Thatcherites under the eponymous heroine herself.

Slapping ministers around is the way prime ministers assert themselves

Very well then, it is said, why not promote some of the remaining representatives of the right? The list of junior ministers is unconvincing. If you put the sceptical Mr John Redwood around the table at Number 10 Downing Street then why not the loyal Mr Stephen Dorrell? The cabinet itself is, we must suppose, a happy band of brothers and sisters. Messrs Michael Howard, Peter Lilley and Michael Portillo may to various degrees harbour doubts about Mr Major's European and other policies, but none of them has resigned. They share the collective responsibility imposed by the prime minister's characteristic method of asking everyone around the table to indicate assent in advance of each important pronouncement.

There is an additional argument in favour of keeping the cabinet intact, at least for the immediate future. This week Treasury ministers will speak to every backbencher in an effort to soften up the party in advance of Thursday's statement on public spending. The exercise constitutes an admission that the votes of Conservative members cannot be taken for granted by this Conservative government. The party will be asked to resist the temptation to break into factions representing one aggrieved group or another – nurses, say, or teachers. The government's hope is that it will be seen to be presenting a tough but properly thought-out economic programme to which every minister subscribes.

Fanciful as this endeavour may seem, it would stand less chance of success if the Autumn Statement was followed by a reshuffle of the very cabinet which is supposed to be so united in support of it. The restoration of the government's authority depends above all on a renewal of confidence in its ability to guide the economy out of the recession. To achieve that, the prime minister must start getting some decisions right. To reshuffle or not to reshuffle is among the most important of those decisions.

A ray of hope shines from a pit of despair

In a unique leasing deal, Scottish miners have invested their own money to reopen a British Coal colliery, writes James Buxton

Monktonhall colliery near Edinburgh is the scene of a unique venture in British coal-mining. By the end of this month a group of miners who have formed their own company will begin regular production of coal from the pit which they have leased from British Coal.

Not only is this the first time British Coal has allowed a deep mine to be worked by another operator, but each of the 110 miners who are working at Monktonhall has raised £10,000 to finance the venture and guarantee his job. Monktonhall Mineworkers has no other equity capital. Years of persistence in the face of opposition from local Labour politicians and scepticism by financiers appear to be paying off.

"It's up to ourselves," says Mr Jim Parker, the managing director, a former British Coal executive. "We've got no excuses. There's no bad geology, no lazy miners, and no bad management to blame."

British Coal stopped production at Monktonhall in 1987, deciding that it was uneconomical, but the mine was maintained so that it could be reopened. Local politicians and MPs launched a campaign to persuade the company to reopen it. In early 1991 Lothian regional council and other local authorities presented a consultants' report proposing a mining operation employing 370 men, with new investment of £8m. But to the dismay of the politicians and the National Union of Mineworkers, British Coal announced in August 1991 that it could not justify reopening the mine under its own management.

However, British Coal was prepared to lease Monktonhall to another operator. This was the chance which a group of ex-mineworkers from the area, guided by Mr Parker and chaired by Mr Jackie Aitchison (then working as a bus driver), had been waiting for. Some of them had put £2,000 each into a consultants' feasibility study prior to the local authorities' report, and its conclusions were encouraging.

Last December, British Coal agreed to negotiate a lease with Monktonhall Mineworkers, although it said a rival offer from Caledonian Mining, a private company based at Newark, Nottinghamshire, "enjoyed comparable technical merit". The state-owned company apparently chose the mineworkers because of political and public pressure.

It took Monktonhall Mineworkers, assisted by the accountants Price Waterhouse, nearly six months to finalise the lease agreement. The

Tony Andrews

Monktonhall miners: each has raised £10,000 to finance the colliery and to guarantee his own job

Labour-controlled local authorities refused to provide finance, believing the venture would be short-lived, and the miners did not succeed in raising capital from outside institutions.

"We'd decided back in October 1991 to finance the project from our own resources," says Mr Parker, "but we wanted outside capital as a backstop. We found that institutions which had earlier shown interest in our scheme had turned against us. They listened to local politicians and union leaders. It's not outrageous to say that these politicians and unionists would have preferred the mine shut to it being operated by someone other than British Coal."

Labour politicians would

'No one was deceived. We encouraged the miners' wives to come to our meetings to hear about the risks'

have preferred to have the mine run by the nationalised coal company to it becoming a potential showcase for private enterprise. But the mineworkers had quiet backing from the government, which wanted the bid to succeed; and vocal support from local Conservatives, Liberal Democrats and the Scottish National party.

The mineworkers secured a loan facility for an undisclosed amount from the Bank of Scotland and decided to invest the maximum they could afford – £10,000 each, amounting to £1.1m for the first 110 miners. Some of them put in savings from their British Coal redundancy money, while others took out loans from the Life Association of Scotland or mortgaged their homes.

Mr Parker says: "No one was deceived. We encouraged the miners' wives to come to our meetings to hear about the risks." The company has a waiting list of ex-miners willing to put in their stake.

The company took over Monktonhall in June and installed new winding ropes, reactivated the underground conveyers and bought used machinery in England at one-tenth the price of new equipment, according to Mr Parker.

Mr Parker says that Monktonhall should produce 250,000 tonnes of coal a year as the number of miners rises to 155, working two shifts over a five-day week. The mine produced about 1m tonnes a year under British Coal, employing about 1,000 people at its peak.

According to Mr Parker, output per year should be 1,400 tonnes a miner, substantially higher than under British Coal's management. Productivity will also be higher, Mr Parker says, because the mineworkers will be working more weeks of the year than under British Coal, without that company's "ludicrous holidays, loud-mouthed unions and spineless management. We have the motivation of people who have put their own money into their company."

The cost of production, he says, should be £1.30 a gigajoule compared with the £1.80 a gigajoule which British Coal is thought to charge ScottishPower, the leading electricity company in Scotland. But Monktonhall's costs are above those of opencast coal.

This weakness was highlighted last week when ScottishPower, which had sought tenders for coal supplies, rejected Monktonhall's offer on the grounds that its price was uncompetitive. Instead, it accepted tenders from opencast suppliers in the UK and overseas. Though disappointed, Monktonhall Miners say they will be able to win enough contracts to survive. The company already has contracts to sell some of its coal, and is tendering for orders from large users in Ireland, Malta, the Isle of Man and the Isle of Skye.

Quite apart from the battle for contracts, Monktonhall represents a high risk venture. Its financial resources are slender; the market for deep-mined coal is competitive, but it will have to maintain output and sales to cover the cost of keeping the mine pumped and paying interest to the bank. One coal industry observer, thinking of the miners' big personal stakes, calls Monktonhall "a tragedy waiting to happen".

But Mr Parker has faith in the venture. He says several more pits which British Coal has closed could be reopened profitably on the same basis as Monktonhall with mineworkers as shareholders. He already has his eyes on the mothballed Frances colliery at Kirkcaldy, Fife, though that mine, he says, would cost £16m to revive, requiring more than the miners' personal funds.

He believes the experiment at Monktonhall will improve the prospects for other mines faced with closure. "There is nothing utopian about this venture. Men here in their 30s are going to make a lot of money at Monktonhall."

OBSERVER

On a wing and a prayer

■ It's taken more than a year, but Hollis Harris has at last had his prayers answered. In August 1991, Harris, then president of Continental Airlines, urged employees of the bankrupt US carrier to join him in praying three times a day "that God will show us a way to survive". The very next day Continental dispensed with his services.

But the Methodist minister's son from the Georgia Bible belt has bounced back. He resurfaced earlier this year in Montreal as chief executive of Air Canada; and one of his early moves was to submit an offer – together with a group of Texan investors – for his former employer.

Now Continental has decided to accept the Air Canada-led bid in the hope that the infusion of new capital would enable it to emerge from Chapter 11 early next year. For its part, Air Canada hopes the deal will make it a more attractive partner for international alliances.

Harris could do with another burst of divine intervention, however. Air Canada itself is still bleeding about a million dollars of red ink a day and has debts of over $3bn. Whether or not these problems can be overcome, it won't be for lack of prayer in the executive suite. Air Canada's chairman, Claude Taylor, is a devout Baptist.

Tragicomedy?

■ The once invincible Hanson has apparently been trounced on yet another front. Hot on the heels of the RHM defeat comes word that Hanson's Peabody seems to have lost out to a higher bidder in picking up the Australian coal interests of Costain.

So it is perhaps appropriate that yesteryear's mighty corporate raider, which in its glory days habitually put the name of its companies to the turf, or motorcycles or snooker, should now be turning to the gentler thespian world when dispensing its sponsorship largesse.

With Hanson in advanced negotiations to inject £1m into the struggling National Youth Theatre – which this autumn staged a show entitled Maps for Lost Lovers – suggestions are invited as to which play the budding actors should consider next that would best capture the current mood at 1 Grosvenor Place.

Black magic

■ Perhaps the Canadian media mogul has learnt a thing or two. Since Conrad Black rescued the Fairfax group at the end of last year, the nervousness among senior editors at Australia's second largest newspaper publisher has been palpable.

However, news yesterday of the arrival of two old Fairfax hands to the vacant chairs at both the Australian Financial Review and The (Melbourne) Age neatly disarms those critics who feared Black might be poised to impose the sort of controversial changes that so upset journalists in the aftermath of his acquisition of the Jerusalem Post.

The moves see John Alexander, editor-in-chief of the Sydney Morning Herald, replacing Gerard Noonan as editor-in-chief of the Review. Meanwhile, Alan Kohler, himself once on the Review, is leaving Rupert Murdoch's The Australian to edit The Age following the resignation of Mike Smith – who left for (genuine) personal reasons.

Kohler's return is something of a coup for Black, since the widely respected commentator on economics and business affairs had only recently jumped ship from Fairfax to The Australian.

"Tell us how you got hit by a champagne cork during the great trade war, grandad"

The big loser in all this is Noonan, a popular editor who several times tried to interest potential white knights such as Pearson, publisher of the FT, in saving the Review from the receiver. Noonan was given no reason for his dismissal, though Fairfax managers have apparently been unhappy with the Review's performance.

While the reshuffle will be greeted less than enthusiastically by the bevy of unreconstructed protectionists in The Age's Melbourne office, it should go some way to soothing fears about any excessive Black meddling down under.

Office etiquette

■ Nice to know Lord O'Hagan, Conservative MEP for Devon, has the interests of his constituents at heart. "Many people believe that tossing the caber is about to become illegal under European Community law on health and safety. Is this true?" he enquires in an exchange recorded in the recent Official Journal of the European Communities.

EC social affairs commissioner Vasso Papandreou is glad she was asked that question. After first acknowledging her gratitude to the honourable member for his "regular tabling of questions that allow [the Commission] to keep in touch with the beliefs and fears of ordinary people over the EC's intentions", she goes on to explain that while there are no plans to make that well-known Devonian custom illegal, two council directives coming into force next January will have to be taken into account, by employers and workers alike, as regards caber-tossing in the workplace.

Food for thought

■ Guests at last night's 1992 Amex Bank Review Awards – at which the first prize of $25,000 was awarded to Richard Rose of the University of Strathclyde for his essay on "Eastern Europe's need for a civil economy" – were asked not to read anything personal into the seating plan.

With tables named after "famous and infamous theories of economics", according to Amex Bank chief economist Richard O'Brien, invitees could have found themselves herded onto tables labelled anything from crawling peg, to animal spirits, to marginal utility. "We took care to make sure there weren't any eastern Europeans seated at 'shock therapy'," O'Brien reveals.

Reason to carp

■ My friend the tropical fish-fancier is downcast because her best supplier has gone all koi.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Electricity in an open market

From Prof James Lawton.

Sir, The purpose of the electrical supply industry is to provide reliable, economically priced electricity to the consumer. The ability of generators to optimise fuel price and security of supply in both the short and long term on the world markets is a major factor in achieving this objective.

Prof Littlechild, the electricity industry regulator, was therefore correct in telling the Department of Trade and Industry select committee that it is not his job to determine fuel mix. However, it is his job to protect the consumer. In regard to the gas contracts of the regional electricity companies he referred to his power to disallow uneconomic charges to pass through. He then went on to indicate that there is not a single price for electricity, that there were factors other than price and that it is not his job to review every gas contract signed by the regional electricity companies (RECs).

Given this apparently self-negating interpretation (with which I agree), how to move forward? Clearly the requirement is for mechanisms that encourage proper market behaviour. Specifically, contract negotiations should be conducted in an open market and not, as now, in secret. Then *prima facie* evidence for misuse of market power by either RECs or generators would be visible, acting as a deterrent and providing both transparency for regulatory bodies and easily accessible evidence for any inquiry.

James Lawton,
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Guildford, Surrey GU1 1UZ

Rethink on financial services regulation cannot be avoided

From Mr S M Yassukovich.

Sir, Recent comments from authoritative sources indicate that City support for the Financial Services Act, always half-hearted at best, is now substantially eroded. As with so many modern compromises, the concept of practitioner-based self-regulation backed by statute has satisfied no one. Despite the government's well-known reluctance to countenance new or amended legislation in the field of financial services regulation, a fundamental rethink cannot be long avoided. It is hoped that the review ordered by the Treasury from the SIB will set the stage.

Surely the problem is the fatal flaw in the original legislation initiative. The government sought to deal with two entirely distinct problems with a single bill. A more sensible approach would have been two separate bills, one dealing with investor protection within the retail financial services industry and the other with the wholesale and international markets of the City. The first bill would have been dominated by conduct of business and compensation issues and the second would have focused on systemic risk.

It is absurd to believe that investor protection of the public at large can be self-financed and self-regulated. It is like asking the Police Federation to pay for and supervise policing. The so-called independent financial advisers cannot pay for regulation or pass the costs on to their clients and the producers of financial products are clearly disinclined to pick up the cost. The only alternative is to tax the wholesale markets but this will affect London's competitive position. The retail sector should be regulated by a taxpayer-financed government agency. Self-financed self-regulation should be applied only to the wholesale markets under the aegis of an agency with the same independence (in supervisory matters) and authority as the Bank of England.

Harmonisation requirements driven from Brussels will force change in any case. To persist with self-regulation in the retail area is rightly deemed eccentric in the rest of Europe. However, the European wholesale financial community, mostly represented in London, could be mustered to support sensible and flexible regulation of intra-professional markets with maximum practitioner involvement in the process.

S M Yassukovich,
chairman,
Cragnotti & Partners,
25 St James's Street,
London SW1A 1HA

International community must back Somalia relief effort

From Mr Nicholas Hinton.

Sir, Given the tense situation currently prevailing in Somalia, it is vital to correct an inaccuracy in Julian Ozanne's report ("Somali gunmen hold aid agencies to ransom as thousands starve to death", November 6). Only six of Save the Children's feeding centres have been affected by the current strike by feeding supervisors, not 12 as Mr Ozanne asserts.

Save the Children does not believe that this strike has been politically inspired by General Aideed or by any other political leader. The strike is over the level of incentives paid to the staff and is not related to threats against the United Nations or other agencies.

Mr Ozanne is right to be alarmed about the increasing insecurity which threatens the relief effort as a whole. World attention must not fall off at this crucial time: indeed, authoritative leadership from the international community is required now more than ever.

Nicholas Hinton,
director general,
Save the Children Fund,
17 Grove Lane,
London SE5 8RD

Work horse

From Mr Gingham Taylor.

Sir, So Gillian Shephard ("Shephard stresses rights of individuals", November 6) thinks abolishing the wages councils will "strengthen the rights of individuals". As a student needing work in the holidays, I will be able to undercut other applicants and am sure to get a job. Mind you I will need to work much longer hours to compensate, so it is a good job I have also "got the right" to work as many hours as I can thanks to the opt-out on the Social Chapter. Why not bring back workhouses too!

Gingham Taylor,
29 Burlington Road,
Hull HU8 0HN

Pharmaceutical prices to NHS do not allow for excess profits

From Dr John Griffin.

Sir, Mr Sonabend (Letters, October 30) was incorrect on two counts when he implied that pharmaceutical companies were exploiting Britain's National Health Service. First, in unfavourably comparing the price of insulin in the US and France with the "notional" price in the UK he overlooked the fact that the pharmaceutical price regulation scheme (PPRS) ensures that British taxpayers get value for money from the suppliers of medicines to the NHS. Under this scheme, companies are allowed a target return on capital in respect of their range of products which they may or may not achieve but must not exceed. Any excess profit is repaid to the government.

Second, Mr Sonabend has been highly selective. A recent price index for prescription medicines produced by the Swedish pricing authority showed that in relation to Sweden (equalling 100) the figures for other European countries were as follows: Switzerland (136), the Netherlands (132), Denmark (130), Germany (192), Finland (111), Norway (103), the UK (99), Italy (95), Belgium and Austria (93), and France (65).

John Griffin,
director,
Association of the British Pharmaceutical Industry,
12 Whitehall, London SW1

FINANCIAL TIMES
Tuesday November 10 1992

Influential business people call on governor to renegotiate with China

HK group wants reforms altered

By Simon Holberton in Hong Kong

AN INFLUENTIAL group of Hong Kong business people yesterday called on Mr Chris Patten, the governor, to drop his proposals for democratic reform in the colony and to negotiate fresh plans with China.

The Business and Professionals Federation, a powerful conservative think tank, said the impasse between London and Beijing must be resolved by dialogue and consultation.

It is the first heavyweight organisation openly to oppose the governor, who has found general support among the public. A test of Mr Patten's support in the local legislature will come tomorrow when it debates his proposals.

Mr Patten's plans for greater democracy in Hong Kong have been rejected by China. It has said it will not discuss the matter further until the governor backs down. Beijing has threatened to reverse any changes he introduces without its agreement when Hong Kong reverts to Chinese rule in 1997.

Mr Vincent Lo, the business group's chairman, said that although the federation supported many of the governor's plans, "to run the risk of developing a political structure which will be dismantled in 4½ years' time is just not acceptable to us".

He said that any plans for Hong Kong's political development should be compatible with the Basic Law, the colony's post-1997 constitution passed by the Chinese parliament in 1990.

By throwing its weight behind Communist China instead of Mr Patten, the group threatens to dilute a local mandate for greater democracy in the increasingly strident war of words between China and Britain over Hong Kong's future.

Mr Lo, chairman of Shui On, a leading property developer in the colony, is one of the businessmen tipped to become Hong Kong's first chief executive, or governor, after China takes over in 1997.

He was flanked at the press conference by Sir David Akers-Jones, a former chief secretary of Hong Kong and now head of the housing authority, and Mr David Gledhill, a former head of foreign business in the colony.

Many businessmen, long accustomed to considerable leverage over the colonial government, are wary of the democracy plans because of their heavy investment in China's increasingly market-oriented southern provinces.

The federation's stance bears a strong resemblance to Beijing's position which is that Mr Patten should withdraw his proposals and negotiate on the same basis that Britain was contemplating in late 1989 and early 1990.

Over the weekend Mr Patten, who was expecting the federation's announcement, said he was sure the business community "would want to avoid seeing a gap opening up between what some businessmen had to say and what clearly the community wants".

Detour for the through train, Page 20

UK arms to Iraq court case collapses

By John Mason in London

THE UK government yesterday faced demands for an inquiry into its policy of selling defence equipment to Iraq before the Gulf war, after the trial of three directors of a UK machine tool exporter collapsed.

Four government ministers, it emerged yesterday, tried to suppress 500 pages of confidential government documents which, said defence lawyers, detailed a "secret policy" to promote UK exports of defence-related equipment to Iraq.

The documents suggest that a number of senior ministers in the government of Mrs Margaret Thatcher, including the former prime minister, were briefed on this policy and that the effort to arm Iraq continued to within weeks of Baghdad's invasion of Kuwait in August 1990.

The collapse of the prosecution of three former directors of Matrix Churchill, machine tool makers, who were charged with breaching export controls by pretending that machine tools sold to Iraq were for civil use, followed an admission by Customs and Excise that it could no longer sustain a case against them.

Evidence given in the witness box by Mr Alan Clark, a former trade minister, was "inconsistent" with his earlier statements to Customs investigators, the court was told.

Mr Kevin Robinson, lawyer for defendant Mr Paul Henderson, former managing director of Matrix, rejected this explanation. "Clark is the public excuse," he said. "All Alan Clark did was tell the truth in the witness box."

Colin Beere

Peter Allen (left), Paul Henderson and Trevor Abraham of Matrix Churchill and their wives at the Old Bailey after their trial, for breach of export regulations, collapsed

In an interview with the Financial Times, Mr Henderson described yesterday how he had worked for British intelligence in the former Soviet bloc and Iraq for more than 15 years.

The documents released yesterday showed how from October 1987 onwards, ministers and civil servants, supplied with information by the security and intelligence services, had known Matrix Churchill products were destined for use in Iraq's defence procurement programme.

Mr Robin Cook, the main opposition party's trade and industry spokesman, called for full disclosure of the role played by the Department of Trade and Industry. "Mr Michael Heseltine must now tell us how much the DTI knew about weapon deals with Saddam and why they connived at arms exports instead of controlling them," he said.

Both the DTI and Downing Street yesterday refused to comment on the lawyers' allegations. The DTI tried to distance itself from Mr Clark, saying his comments in court had been personal opinions, not government policy. Mr Clark refused to comment, saying only that the matter had now concluded.

Matrix Churchill's applications for export licences said the equipment would have civil, not military, uses. However, defence lawyers claimed Mr Clark had effectively suggested they adopt this wording to get around export regulations.

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Russia wins $36m satellite launch deal

By Daniel Green in London

RUSSIA won its first commercial contract yesterday to launch a western-built satellite into orbit in a deal worth $36m.

The contract opens the way for Russia to undercut its three western rivals – Arianespace, the French-led European consortium, and General Dynamics and McDonnell-Douglas of the US – in the commercial launch market which is worth around $2bn a year.

It is also likely to trigger calls for steps to protect the American satellite launch industry.

Mr Al Gore, the vice-president-elect, and several other senior Democrat politicians have demanded action to stop predatory launching prices by Russia and China.

The contract was placed by Inmarsat, a 65-nation co-operative and the world's second biggest independent operator of commercial satellites.

Inmarsat also awarded a $62m contract to launch a similar satellite on the Ariane rocket built by Arianespace, the consortium which controls half the market.

The loser at yesterday's Inmarsat council meeting was General Dynamics of the US, which won the previous round of Inmarsat contracts.

Mr Olof Lundberg, Inmarsat director-general, said that the choice of the Russian Proton rocket was "pioneering", but conceded that it was "commercially unknown".

The decision is likely to provoke strong reaction from the new US administration.

Last week Senator John D. Rockefeller said that allowing launch business to go to Russia and China "could jeopardise the US space launch industry". Mr Gore has drawn comparisons between Russian and Chinese launch pricing and Japanese competition in the microchip industry.

Russia may win its second contract within weeks. Intelsat, a co-operative of more than 120 nations and the biggest independent satellite owner, is to choose between Russia, China, Japan, Arianespace and General Dynamics for several launches in December.

The Russian launch, scheduled for 1995, will put into orbit an Inmarsat-3 satellite which will allow the use of smaller portable satellite telephones at ground level.

The cost to Inmarsat will be several million pounds more than the value of the contract because of satellite modifications needed to make it compatible with the Russian rocket.

The Proton rocket, which was built by state-owned DB Salyut of the Russian Federation, will be launched from the Baikonur Cosmodrome in Kazakhstan.

Mitterrand attacks UK delay over Maastricht

Continued from Page 1

the delay in approving the treaty could jeopardise enlargement negotiations year with Finland, Sweden and Austria.

Mr Uffe-Ellemann Jensen, Danish foreign minister, sought to bolster Mr Hurd's position by declaring that Denmark aimed to hold a second referendum on the Maastricht treaty next May.

But he warned that the timing would depend on the Community reaching agreement on Denmark's demands for "legally binding" exemptions from Maastricht by the EC summit on December 11-12.

Mr Hurd, in turn, supported Denmark by declaring that there was a "reasonable hope" that the EC summit could produce a rough framework for settlement of the Danish question in Edinburgh to allow a second ratification to proceed.

The Danish demands – which include a UK-style opt out on a common European currency and a putative European defence force – met with a cool reception from EC foreign ministers.

Several EC members suggested that Denmark's demands amounted to reopening Maastricht, and could require an unacceptable reratification of the treaty. A senior Spanish official described it as "enormously difficult" to accept the Danish position.

Pound falls as pressure grows for interest rate cut

Continued from Page 1

Thursday, Mr Lamont will release details of his Autumn Statement which sets spending levels for the year.

Mr Michael Howard, environment secretary, said it would "mark a turning point in the course of the British economy".

The chancellor's proposals, he said, would present the public with further evidence that the government was dedicated to ensuring that all its policies were tailored to recovery, growth and jobs.

Sir Michael Angus, president of the CBI, told delegates that Thursday's statement was critically important and would be seen as a test of the government's determination to bring about lasting economic recovery.

Sir David Lees, chairman of GKN and head of the CBI's economic affairs committee, said inflation should no longer be the dominant theme of government policy. The fight against inflation was "yesterday's battle", he said. "The battle we need to win now is against the lack of confidence which is holding back growth and investment."

Official figures showing that lower interest rates failed to entice consumers into borrowing more last month provided further evidence yesterday of a continuing lack of confidence in the British economy.

World Weather

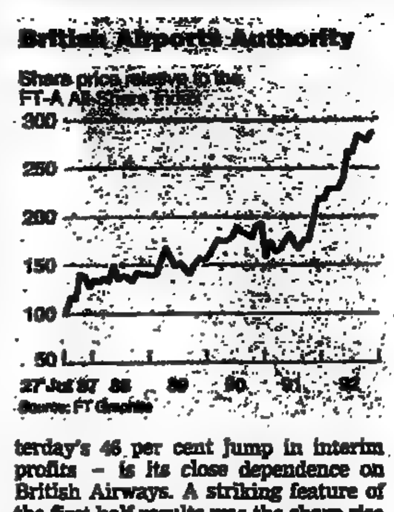
		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	10	50	Frankfurt	C	5	41	Majorca	[illegible]	21	70	Oporto	C	13	55	Tenerife	[illegible]	22	72
				Brussels	C	9	48	Geneva	F	10	50	Malaga	F	17	63	Oslo	C	3	37	Tokyo	R	11	52
				Budapest	S	6	43	Gibraltar	F	18	64	Malta	F	23	73	Paris	C	9	48	Toronto †	F	1	34
Ajaccio	S	19	66	Buenos Aires	F	25	77	Glasgow	R	10	50	Manila	C	30	86	Prague	[illegible]	3	37	Tunis	S	26	79
Algiers	S	22	72	Cairo	F	23	73	Helsinki	[illegible]	-1	30	Melbourne	F	16	61	Reykjavik	Sn	1	34	Valencia	F	18	64
Amsterdam	C	9	48	Cape Town	C	17	63	Hong Kong	S	28	82	Mexico City	F	19	66	Rhodes	S	20	68	Venice	S	14	57
Athens	S	22	72	Caracas	F	26	[illegible]	Innsbruck	S	11	52	Miami †	F	24	75	Rio de Janeiro	C	31	88	Vienna	[illegible]	5	41
Bahrain	S	28	82	Casablanca †	F	19	66	Inverness	S	8	46	Milan	C	13	55	Rome	S	20	68	Warsaw	S	4	39
Bangkok	F	29	88	Chicago †	R	7	45	Islamabad	F	24	75	Montreal †	S	-7	19	Salzburg	S	10	50	Washington †	S	-1	30
Barcelona	[illegible]	17	63	Cologne	C	8	46	Istanbul	F	12	54	Moscow	C	-1	30	S'Francisco †	S	9	48	Zurich	[illegible]	9	48
Beijing		–	–	Copenhagen	S	6	43	Jakarta	R	32	90	Munich	C	5	41	Seoul	[illegible]	4	39				
Beirut	S	22	72	Corfu	S	20	68	Johannesburg	F	15	59	Nairobi	F	24	75	Singapore		–	–				
Belfast	C	9	48	Dallas †	C	17	63	Lisbon	S	16	61	Naples	S	21	70	Stockholm	S	3	37				
Belgrade	S	8	46	Dublin	R	9	48	London	C	11	52	Nassau	C	28	82	Strasbourg	C	11	52				
Berlin	S	4	39	Dubrovnik		–	–	Los Angeles †	C	17	63	New Delhi	S	26	79	Sydney	S	26	79				
Biarritz	S	17	63	Edinburgh	R	12	54	Luxembourg	Fg	7	45	New York †	S	-1	30	Taipei	[illegible]	16	61				
Bombay	S	33	91	Faro	S	19	66	Madeira	F	21	70	Nice	S	18	64	Tangier	C	19	66				
Bordeaux	C	12	54	Florence	F	17	63	Madrid	S	16	61	Nicosia	S	22	72	Tel Aviv	S	24	75				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

THE LEX COLUMN

Unyielding equities

FT-SE Index: 2695.4 (-7.3)



Lower interest rates have so far done nothing to improve the lot of equity market investors looking for income. Far from sparking a recovery in high-yielding shares, the sector has fared poorly ever since base rates started to fall. Kleinwort Benson's index of the 100 largest high-yield stocks has underperformed the market by 15 per cent since the start of 1991 and shows no sign of turning. A high yield has become synonymous with a doubtful dividend: 25 companies in the index have cut their pay-out this year. Little wonder that equity income funds have, unusually, been left standing by growth funds, even allowing for reinvestment of dividends.

In theory, high-yielding stocks should look relatively more attractive as nominal interest rates come down. Poor dividend growth across the market as a whole has created demand for secure, high-yielding stocks from cash-hungry investment institutions. The combination of high yield and a safe dividend, then, should be a stronger support than ever. This could be a powerful prop for water and electricity stocks, for example, despite increasing regulatory risks.

For the rest of the high-yielders, though, interest rates will have to fall further. In sectors such as construction and property, where prices are if anything falling, interest rates of 8 per cent still look punitive in real terms. And while dividend cover for the market as a whole is running well below the long-term average of 2.5 times, many high-yielders have to rebuild cover from less than 1. This could be another strong argument for those seeking income to increase their investment in gilts.

BAA

Which property company trades at a mere 5 per cent discount to net assets? Which transport stock yields 2.8 per cent and stands on a forward multiple of 17 times earnings? The answer in both cases is BAA, which raises the further question of why this privatised airport operator commands such a generous UK stock market rating.

One reason is the company's ability to appear defensive and cyclical at the same time. Both commercial income and traffic charges, after all, are highly sensitive to economic activity. Another is the benign attitude of the regulator, certainly relative to other privatised monopolies. Perhaps the least well appreciated secret of BAA's success, though – illustrated by yesterday's 46 per cent jump in interim profits – is its close dependence on British Airways. A striking feature of the first-half results was the sharp rise in transfer passengers at Heathrow, an achievement largely attributable to BA's marketing skills in taking away North Atlantic business from the lines of Lufthansa and Air France. BA's success is just as well, given that it accounts for almost half the passengers using Heathrow and a fifth of those passing through Gatwick.

BAA's long-term appeal remains undiminished. But the 3.4 per cent fall in income per passenger from retailing in the first half and the cautious forecast of second-half traffic growth may hold back further progress for now. There may also be some concern that earnings will be hit by an additional £20m of depreciation when BAA finally comes to write up the balance-sheet value of its assets.

Costain/Hanson

Whatever the outcome of the little spat between Costain and Hanson over Costain's Australian coal interests, both sides look like losers. Hard on the heels of losing RHM to Tomkins, Hanson could do without the public relations headache of another deal turning sour. Given Costain's need to reduce debt, it is hardly in its interest for the whole thing to be bogged down in the courts. The difference between the two is that Hanson can better afford the inconvenience.

That Costain needs to sell its prime asset is underlined by how little the shares have risen since the original deal was announced. Even when the money comes in, gearing will be about 50 per cent. If the preference shares are repaid next year and cash flow remains negative, gearing may well rise to around 70 per cent, even without further asset writedowns. To add to its woes, much of Costain's debt is denominated in dollars: it will not benefit from falling UK rates, but will be hurt by the devaluation of sterling when its hedging runs out.

Meanwhile the company is stuck with an underperforming US coal operation and its basic UK contracting and construction business. Costain badly needs an upturn in the UK construction market to revive its fortunes. The Autumn Statement notwithstanding, that looks as depressingly far away as ever.

UK public spending

The idea that the government could use proceeds from council house sales to cover higher infrastructure spending next year is beguiling. In practice, however, it is easier said than done. Doubling to 50 per cent, as some have suggested, the proportion of proceeds from new sales which councils can spend would only release around £750m. The real prize is the backlog of unspent proceeds, possibly amounting to as much as £8bn. This money, which is supposed to be used to pay down local authority debts, cannot easily be freed without adding to the public sector borrowing requirement.

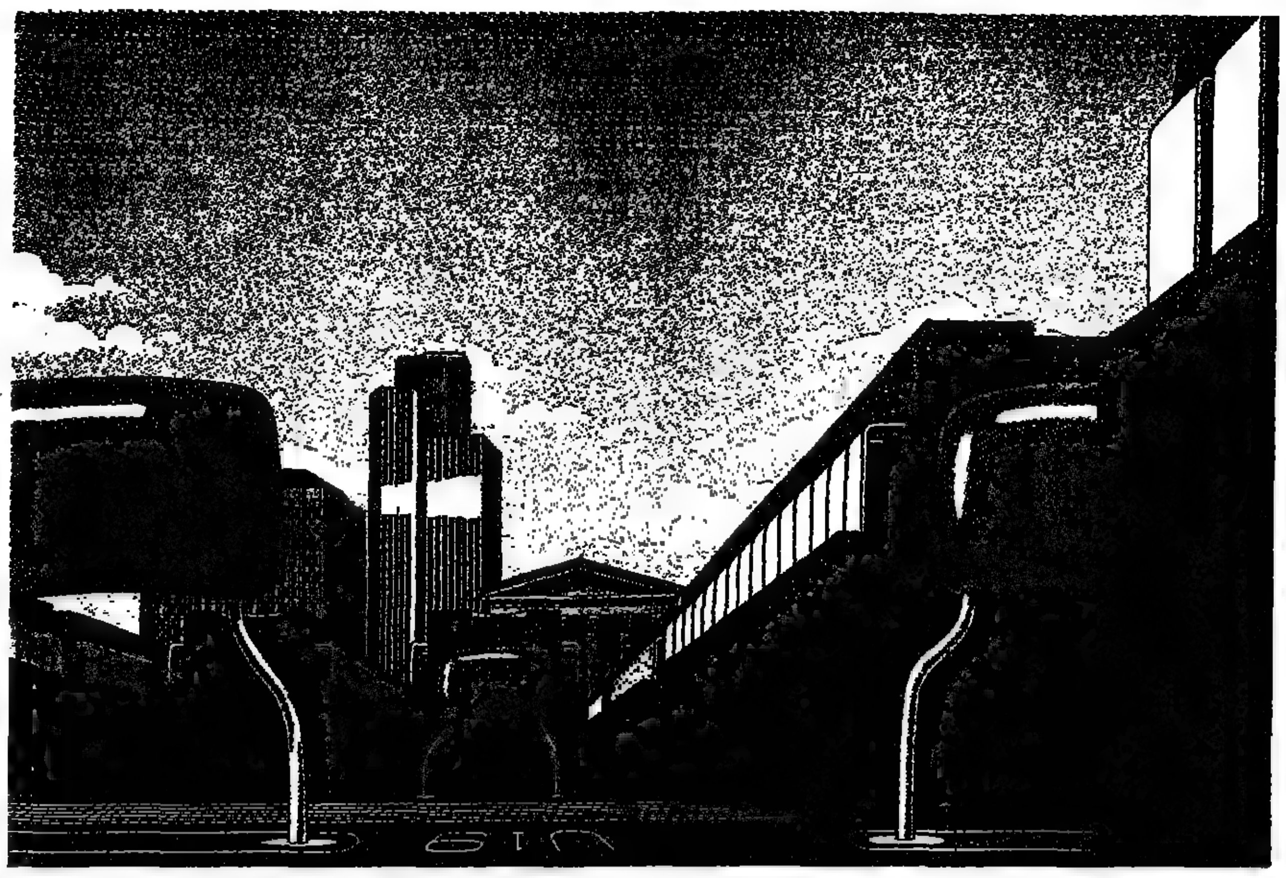
True, the release could count as self-financed local authority spending under the government's complex definitions. So it would come outside the crucial £244.5bn planning total for public spending. But, it would still count as general government expenditure which counts towards the PSBR. Moreover there would be a net rise in public debt outstanding despite local government's large cash balances. Local authorities would have less cash with which to pay down debt. None of this would appeal to a gilts market already fretting that next year's PSBR will easily exceed £40bn.

Worse still for Mr Lamont, the new spending would remain largely in the gift of local authorities rather than Whitehall. If he wants resources for the infrastructure, the chancellor might be better advised to dip into the contingency reserves or find new privatisation receipts. Even then he may have only a limited amount extra to spend – at least if he really wants to keep fiscal policy tight enough to allow further substantial interest rate cuts.

COMPUTERS IN FINANCE

The pressures of deregulation, growing competition and rapid technological change are forcing senior managers to look carefully at their IT budgets. **Alan Cane** finds that the financial community is demanding more for its money

New search for value



THE world's big financial institutions may have killed off the computing "dinosaurs" – huge projects which promised to integrate every aspect of their businesses – but they still have to learn how to exploit information technology (IT) for survival and growth.

A decade ago Dr Eckart Van Hooven, then head of Deutsche Bank, told a conference a price had to be paid to move into the new world of electronic banking, adding: "If the price means giving up the identity of the banking profession as we know it today, then for me the price is too high."

But in spite of predictions that technology would eliminate distinctions between financial institutions, they have remained separate in culture, management style and business strategy. And for most, it is the cost of the technology that seems too high.

The dinosaur projects, epitomised by Anacomp's ill-fated integrated banking system or Midland Bank's cancelled "Megabank" project, were creatures of the 1980's, nurtured in those balmier days when money was seemingly no barrier to attempts to scale the technological heights.

Today, a more realistic regime prevails. The pressures of deregulation, increased competition and technology changing at an unprecedented rate are forcing senior managers to examine their investments in IT more carefully. Expectations of the technology are rising, but budgets are under close scrutiny. There is also a new understanding that technology is a moving target and that standards laid down in mega-projects are impossible to enforce.

A survey of IT operating costs in Europe carried out by Andersen Consulting shows that the rise in IT operating costs is set to continue. It suggests these costs are rising at an overall rate of 21 per cent a year, compared to 5 per cent for other non-interest costs.

Andersen says: "The dramatic 30 per cent growth in capital expenditure between 1988 and 1989 has faltered slightly but there is commitment to the next wave of massive investment in technology". It warns, however, that the economic justification for large scale expenditure on IT is becoming increasingly difficult. Unit costs have not been reduced; revenue generation has not been adequately improved.

Suppliers of computing equipment are keenly aware of the pressure on IT budgets.

Mr Roger Bellass, managing director of Tandem's UK subsidiary, says the total amount spent on computing equipment by the financial community has fallen: "Institutions are looking closely at the cost of ownership." Tandem is one of a number of companies that supplies banks with equipment for "mission-critical" applications, where computer failure has an immediate consequence in terms of money lost or customers angered.

Mr Robin Stainer, Andersen Consulting's retail banking specialist says that senior managers are determined to achieve better control of their technology. While at one stage IT was seen as a black art, an understanding of the potential and pitfalls of computing is now recognised as an important component of a financial specialist's skills.

Three main issues now dominate thinking about IT in finance: downsizing, security and out-sourcing. All are a consequence of the increasing power and falling cost of today's microelectronic technology. All are concerned with keeping a cap on costs and achieving value for money.

● Downsizing implies the substitution of low cost networks of small computers for large and expensive mainframes. The financial services business has traditionally been built around mainframes with huge processing power and the capacity to handle a database of millions of accounts.

"Client-server" is the name given to a network of smaller machines which operate collaboratively to process a workload. The clients may be personal computers or workstations. In a simple network, the servers might also be workstations, but could also be either mainframes, or even supercomputers. The database may be distributed through the network.

Lively debate surrounds the question of which approach offers the most advantages.

Supporters of mainframe technology argue that in the long run, centrally managed data is cheaper and more effective. They also point out that software for collaborative processing in client-server networks is at an immature stage of development.

Data processing management of personal computing systems is at a similarly early stage. A survey by the consultancy Nolan Norton shows that personal computing management practices are relatively immature. "On average," it says, "current personal computing practices are only 34 per cent effective, compared with 81 per cent effectiveness in traditional mainframe environments".

Client-server advocates point to lower costs – perhaps as little as 25 per cent of an equivalent mainframe system; PCs are less expensive on a price/performance basis and cost little to run.

● Security has become the single biggest technological concern for the financial services business. As managers have become more knowledgeable about computing and communications, they have become aware of the risks to their business in networking.

In the UK, the subject has been given added impetus by worries about the integrity of plastic card processing systems.

Questions have been raised about so-called "phantom" withdrawals from automated teller machines (ATMs), cash taken from machines apparently without the card owners' knowledge or consent. While such withdrawals amount to only a tiny percentage of the card fraud, they indicate there may be unexplained loopholes in the ATM security.

This is an important question for banks, building societies and any other financial institution using ATMs as a cost-effective way of expanding business.

Barclays Bank in the UK says: "The idea that money can mysteriously disappear from an account without the use of a card and the correct personal identification number is a pure myth".

The question will shortly be tested in the British courts. In the meantime, the principal banks are debating a move to "smart" or chip cards with a renewed enthusiasm. Smart cards, which contain a microprocessor and memory, are virtually impossible to fake. The banks are also experimenting with cameras in ATMs to establish without question customer identities. Biometric methods including fingerprinting and signature verification are also being tested.

● Out-sourcing is perhaps the most controversial of the cost-saving measures with which financial services companies are experimenting.

It implies passing over to a third party control and management of the data centre against an agreed level of service. In practice, the data centre and computers frequently pass into the ownership of the third party while the data processing staff are taken on to the payroll.

According to the marketing consultancy Dataquest facilities management or out-sourcing is set to grow by 20 per cent annually in the UK. It represents a significant change for companies which have seen their data processing systems as their source of competitive advantage.

Nevertheless the London Stock Exchange earlier this year agreed to pass responsibility for running its computer systems to Andersen Consulting in a deal worth up to £15m a year over the next five years.

Other financial sectors are following suit. Mr Michael Kelly, head of Touche Ross's asset management and insurance division recently wrote that insurance firms no longer believed they could secure a competitive edge through technology: "Companies have matured in their views on IT. They are saying, 'Let's give IT to the professional managers'."

IN THIS SURVEY

Editorial production
Sarah Murray

COMPUTERS IN FINANCE 2

WHOLESALE BANKING

IT put firmly in its place

TO THE Information Technology directors of financial institutions, money is now a serious subject.

Since the stock market crash of 1987, the advance of IT has stalled. Too many organisations believed competitive advantage was the only goal worth achieving and the route to that goal lay in signing up for ambitious and often unproven systems. Vast outlays on state-of-the-art dealing rooms looked a poor investment when banks started sacking dealers by the hundred.

Developments were still needed, but the emphasis was on cutting IT spending. Ambitions have been curtailed, but IT can still prove a powerful weapon in the competitive trading battle. If the order of the day is cost-consciousness, some institutions have learned to use their bedrock of IT experience as a revenue earner.

At Barclays Bank expertise in Electronic Data Interchange (EDI) has proved attractive to third parties. The bank has spent £4m on establishing Barclays Trading Master. This is a service that allows corporates to out-source receivables and payables.

Messages are received in industry standard EDI format and full settlement is achieved via Barclays' Cheshire computer centre. The need for customer intervention is eliminated.

For Barclays, this kind of service has more promise than high-profile adventures in the retail banking sector. "Issues like smart-cards are on the back-burner now," says Mr Tim Earles, Barclays senior product manager for EDI. "We want to reduce overheads for corporate customers, to take that responsibility off them."

Of the 1m UK businesses Barclays has identified, so far only 5,000 are using EDI. The aim is to establish a global EDI infrastructure that reduces the administration burden for clients while keeping Barclays' computer operations busy. The Trading Master software was written internally in conjunction with systems house EDS.

'We want to reduce overheads for corporate customers, to take that responsibility off them'

Mr Ranald Bain, director of financial services at EDS, is familiar with the drive to squeeze every last penny of value out of an IT infrastructure. As a prominent third party contractor, his company stands to benefit. But Mr Bain has words of caution. "It can't just be about costs. Its got to be cost allied to service quality and value."

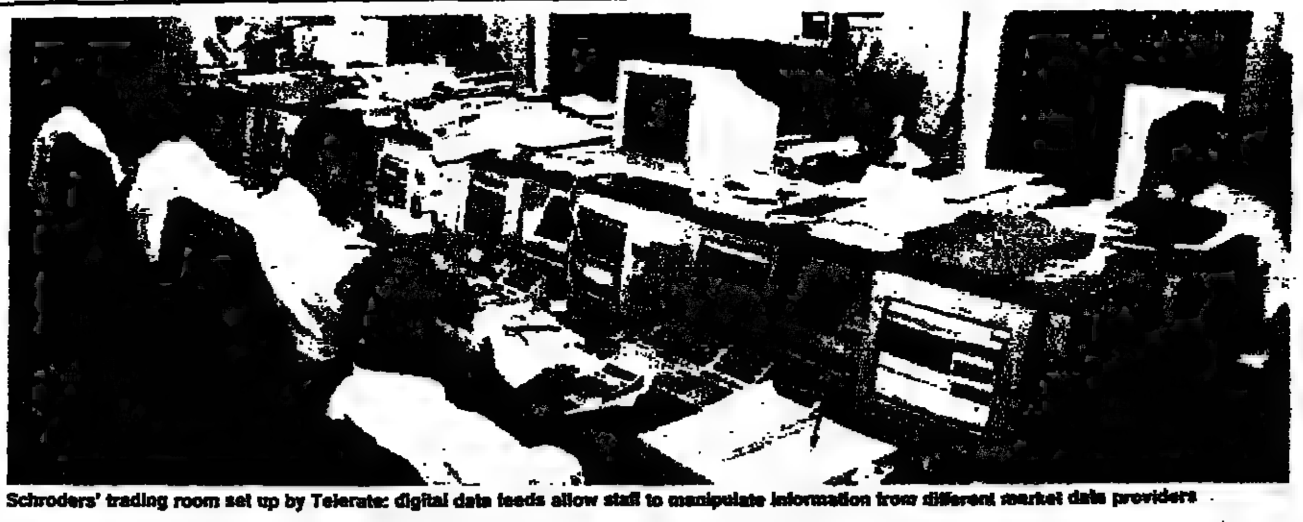
Mr Julian Wood, a City IT consultant and visiting lecturer on banking at the City University Business School, has seen institutions vent their anger on the IT department after technology spending failed to yield proportionate results. However, he thinks the vengeful mood has had its day. "That's given way to a more mature level of understanding. Money's definitely tighter and the renewal cycle has expanded. But physical factors like relocation will still demand new IT projects."

City dealers go out looking for new dealing rooms, but they have become cautious. Telerate, the market data feed company that ventured into dealing room software to manipulate price information, is well aware of the sea change that came after the 1987 crash.

"In the roaring '80s they bought everything on the market. Now they want to fit the products to their needs," says Mr Bruno de la Rivière, Telerate's regional manager for systems and markets. He has just sold a 48-position trading room to merchant bank Schroders for around £750,000. It was no easy deal, he says. From the first contact with the customer to securing a signature on the contract took over 12 months.

It would never have happened in the old days, when banks set up shop in purpose-built high-tech offices and clamoured for any new technology that would put them one month ahead of the pack.

In the post-deregulation euphoria that swelled the coffers of financial technology outfits there would have been no question of building the entire dealing room for client approval before receiving payment. But that is what Telerate had to do to before Schroders would accept its Trading Room Product (TRP).



Schroders' trading room set up by Telerate: digital data feeds allow staff to manipulate information from different market data providers

"We're a live dealing room. We didn't want to install a new system and go through software testing on site. I wasn't happy doing that unless I could see the whole system up and running. It had to be right and then installed over one weekend."

Mr Lester Gray, head of treasury support at Schroders, recognises that IT enthusiasm went too far during the mid-1980s, but is keen to distance Schroders from these excesses. "We never got caught up in keeping up with the Joneses."

Mr Gray got what he wanted, a treasury dealing room using digital data feeds that allow his staff to mix, match and manipulate information from different market data providers. He is reluctant to admit to driving too hard a bargain, stressing the need for banks to maintain a cordial relationship with suppliers.

But one technical watershed has played a critical role in returning power to the customer. Open systems – enabling the running of software across a range of hardware platforms without worrying about compatibility – is important to the IT industry. And open systems has actually delivered on its promise.

This means Schroders was able to concentrate on software, the real tool its dealers would work with. In a recent speech to an international banking conference in Brussels, Mr Shigenori Nagata of the Nomura Bank research institute was cynical about the workings of the computer industry. Pointing out that only 20 per cent of Nomura's IT costs went on developing systems to support the business, Mr Nagata blamed the large number of proprietary systems used at Nomura for its inability to reduce the size of operations and the large number of in-house experts needed to keep diverse systems running.

He concluded that cost efficiency would come "via the route of standardisation". The policy of standardising equipment within one bank was not enough. "Only the application of industry standards will provide full satisfaction," he said.

Nomura has discovered that the era of competitive advantage through unique IT projects was no more than an excuse for suppliers to write their own script. Adventurous developments will continue, but with the IT industry put firmly in its place.

Michael Dempsey

While operation of Taurus is at last in sight, ETC is moving rapidly ahead

Light at the end of the tunnel

"THE ABILITY to do a deal always runs ahead of secure settlement and the custody function." This comment, from Mr John Griffin, director of business administration at GT, the fund management group, sums up the frustrations of trading in international equity markets.

Capital may move more readily across borders, but the infrastructure needed to support such capital flows is still under development.

The emerging markets of Latin America or Asia provide the biggest headaches. most have been concerned more with attracting foreign capital than with worrying about how to modernise their settlement and payment systems. The financial scandal that engulfed India this year is a direct result of an inadequate settlement system, although in the money markets rather than the stock market itself.

The emerging markets are not alone. A number of more developed countries, among them the UK, still function on antiquated stock market settlement arrangements. The huge growth in financial markets in the 1980s prompted a concentration on "front-end" trading systems, with too little attention given to automating what happened after a trade had been struck. Until these national systems have been revamped, links between domestic stock markets, making international securities investing easier, will remain a long way off.

The slow progress on London's paperless system, Taurus, could soon yield results. After over a decade, the system has at last entered the early stages of testing and is scheduled for some time from next September onwards. But while London enters the final lap in the development of Taurus, it is worth remembering that at least one back-office activity is being automated with the minimum of fuss.

Trade confirmation is one of the main steps in the process that starts with a stock market trade and ends with cash and shares changing hands. Confirmation of the details of a trade usually travels by telex or fax. At the end of 1991, a group of investment institutions, led by Fidelity, the Boston-based fund management group, decided the process should be automated.

Just a year later, electronic trade confirmation (known as ETC) is a reality. Two systems, developed by the London Stock Exchange and Thomson, have been launched, while a third, from the International Securities Markets Association, is due before the end of the year. All conform to the same standards and links between the three are planned for next year.

It is all a far cry from Taurus. Leaving aside the scale and technical complexity of each project (Taurus is in a league of its own), the comparison is instructive.

Taurus is a political compromise, designed to square the conflicting demands of its many users – brokers, registrars, banks, investors and listed companies. No wonder that each of these groups has at times sounded unenthusiastic about the final design: you can't please all of the people all of the time.

ETC, on the other hand, is a solution to a specific problem, prompted by a particular group of financial institutions. There is no whiff of political compromise about the project – custodian banks, who have asked to be admitted to the system, have so far been left on the outside.

The first priority is to complete the system and get it accepted by brokers and investors, says Mr Chris Smith of Fidelity. That involves building the links between the three competing systems, and extending the concept around the world (the initial ETC project is intended for investors in Europe).

Not a whiff of political compromise surrounds the ETC project

Another big difference is that Taurus represents an attempt to use technology in order to preserve the status quo, while ETC looks ready to overturn it.

Taurus was designed in many ways to mimic the existing structure of the share transfer system. Registrars, for instance, retain a central role, maintaining details of shareholdings for the vast bulk of shareholders (they will become known as "company account controllers"). Only when rolling settlement comes into operation – when all stock market trades are settled a set number of days after they have been agreed, probably five – will the nature of share settlement change markedly.

The extent to which ETC alters the relationships between stock market participants is difficult to predict. Ostensibly, the system is being built to serve a limited function, replacing existing communication methods with a more efficient one.

However, by putting institutional investors on the same communication network, it could in theory provide the basis for greater direct contact between them, in the process by-passing traditional stock market intermediaries such as brokers and custodians. This is the clearest example so far of the way in which technology is changing the boundaries between different intermediaries in the securities markets.

Meanwhile, Taurus seems at last to be within reach. Barring unforeseen technical problems, the biggest threat to the successful implementation of Taurus is the attitude of listed companies. Each company must ask its shareholders' permission to "dematerialise", or make the switch to the new system.

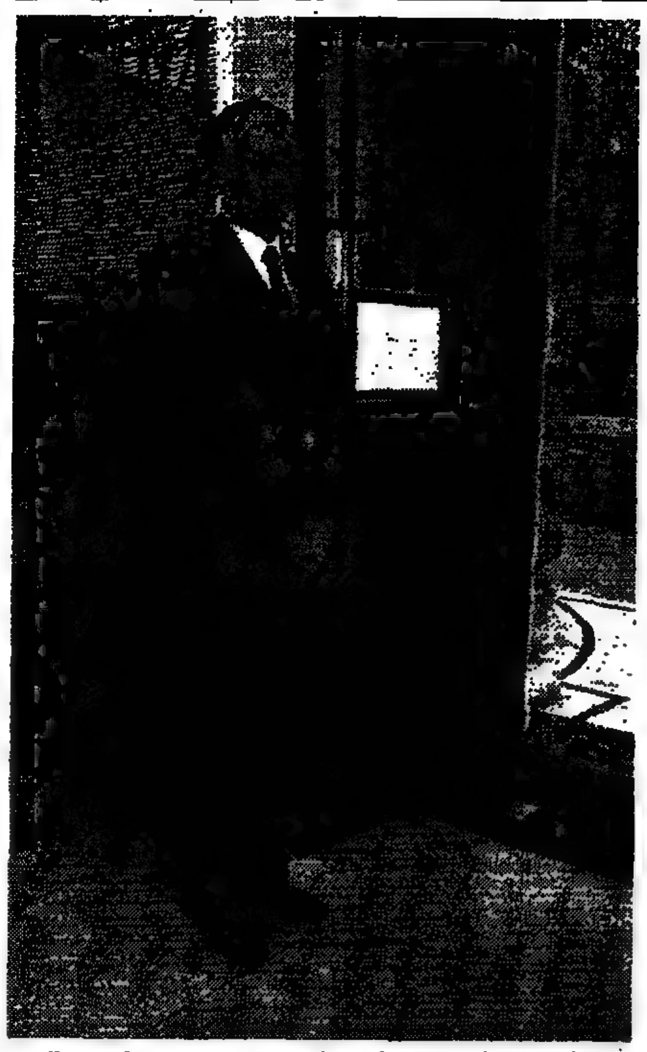
Enthusiasm has been lacking on the part of listed companies for the system so far – fears that Taurus will make it more difficult to identify the beneficial holders of a company's shares have not subsided. Many also believe that, after all the delays, the technology will have to prove itself before companies make the switch.

Marks & Spencer has been the most open in voicing this sentiment, but others feel the same. "I sense a reluctance," says Mr John Watson, the Taurus project director. "Companies are saying 'we can't see it and touch it'. That's an inevitable reaction – but it's one we are gradually overcoming, I think."

The reluctance of companies to join could extend the phase-in period of Taurus, leaving the City in the expensive position of running an electronic settlement system and, in parallel, the existing paper-based one. That will eventually leave listed companies paying larger bills for share registration, says Mr Watson. "Companies need an effective registration sector – and they're putting it's costs up."

It will be a great irony if, having struggled for so long to get agreement on and then build Taurus, the Stock Exchange fails to persuade many listed companies to use it.

Richard Waters



A uniformed Coutts messenger: the image befits this 300-year-old bastion of the English establishment

Retail banks are employing contractors to sort out their IT requirements

The customer now comes first

COUTTS Bank clings assiduously to the frock coat and royal family image that befits a 300-year-old bastion of the English establishment. Customers need £70,000 a year to open an account and, once they have done so, claim the famous red leather chequebook holder.

The atmosphere projected by Coutts seems a world away from hole-in-the-wall cash machines and computer driven funds transfer networks. But Coutts knows its 40,000 wealthy customers expect more than a quaint uniform and impeccable social connections.

Foreign exchange – in serious sums – is a common preoccupation of Coutts account holders. The bank's 30 exclusive branches handle some 1,200 sterling transactions every day. These involve amounts large enough to be extremely sensitive to slight variations in exchange rates.

Until this year, foreign exchange transactions required confirmation with Coutts head office and extensive manual intervention. Although customer disquiet has not been in evidence, since 1988 the bank has been trying to automate a large part of this process and tidy up its service. A heavily-adapted software package from McDonnell Douglas, International Banking System (IBS), was brought in and applied to the task of pushing most foreign exchange work out to the branches.

In terms of customer service, the £700,000 project has allowed Coutts to concentrate on what it is best at. The personal touch is what differentiates Coutts from High Street banks such as its parent NatWest. Now the branch staff have greater autonomy over straightforward deals and foreign exchange specialists are only called in for the tricky minority of transactions.

Replacing administrative chores with keystrokes has eliminated a lot of donkey work

Replacing administrative chores with keystrokes has eliminated a lot of donkey work, leaving Coutts people with more time to attend to its well-heeled customers.

The choice of IBS was a mark of Coutts' independence. NatWest runs IBM mainframes, but Coutts is happy to stick with Digital Equipment hardware. McDonnell Douglas makes hardware, but Coutts was only interested in its software offering.

It saw IBS as a system that could be drastically changed to meet localised needs. McDonnell Douglas' willingness to co-operate is a clear sign of its steady drift out of the hardware sector. The erstwhile boxmaker is keen to establish a new image as a flexible systems house that can supply appropriate programs to run on whatever hardware platform suits the user.

This is a trend that suits the finance sector with its multiplicity of systems. No one IT supplier can meet the needs of a large bank and the days of computer companies presuming to dictate the agenda of financial institutions are well over.

Barclays Bank keeps its branch network running with a wide range of computer and banking equipment. For the past four years this catalogue of gadgets, ranging from bomb detectors to ATMs, has been maintained by one IT supplier. Barclays appointed Olivetti to take over the task of dealing with 200 separate maintenance contracts in a deal initially worth £56m.

The policy has worked, and Barclays has just renewed the arrangement with a £100m contract that takes it up to 1997. Mr Brian Newman, a senior purchasing manager with Barclays, says Barclay's is now down to 20 sub-contractors for branch automation, all dealt with by Olivetti. Barclays signs the cheque and gets on with its primary concern of retail banking.

Going to one IT company to manage branch systems has not committed Barclays to one source of computers and software. Quite the opposite. Like McDonnell Douglas, Olivetti has learnt to co-exist with whatever equipment the customer installs. Mr Newman perceives a neat irony in this. "Ironically, Olivetti have won relatively few IT contracts during the life of the branch automation arrangement," he says.

Building societies have become indistinguishable from banks in retail services and hard-headed IT strategies. The National & Provincial is buying in software from financial systems giants and commissioning adventurous work from small development shops.

N&P is trying to galvanise its senior executives with a £300,000 suite of software from NCR. The idea, feted in IT industry jargon as groupware, is to encourage live pooling of the management process. Familiar PCs run the NCR Co-operation program across 60 desks.

A graphics-based front-end encourages directors to break away from their secretaries and share decisions with colleagues through the key-board. N&P used The Software Partnership, a 100 strong systems house in Cheshire, to pull its Max telephone banking package together. The Software Partnership is in business to promote Architect, a software tool written with the banking sector in mind.

Banks recognise the value of an IT consultancy with dedicated knowledge

Architect, says The Software Partnership's marketing director Mr Nigel Walsh, "can connect any device or network into the bank's financial products". It provides a formal framework for programmers working on a project and automates much of the time-consuming coding process. For £500,000 N&P got Architect, the hardware to run a telephone banking system, and a result that its marketing department thought would appeal to younger customers.

The Marlborough Stirling Group (MSG), a Cheltenham-based software house, is dedicated entirely to financial advice programming. It installs packages that guide bank staff through financial counselling with the customer. Unlike large systems houses MSG has stuck to the one niche, employing its own actuaries and legal experts. MSG charges between £100,000 and £750,000 per institution.

Banks and building societies have recognised the value of an IT consultancy with a dedicated knowledge base. After eight years in business MSG, counts the Bristol & West building society and Allied Irish Bank among its clients. For them, MSG represents a practical answer to a specific problem. And there is no danger of a small consultancy trying to expand its involvement and lecture to the entire business.

Persuading the notoriously opinionated IT industry to work to the customer's blueprint has never been easy. In the past large suppliers were all too keen to elevate IT as an end in itself.

But financial institutions have found that by confining contractors within strict project guidelines they can reclaim the high ground of policy making and get back to banking. It is one innovation that will certainly benefit the customer.

Michael Dempsey

Cheap technology means trading is becoming fragmented

Markets start to multiply

EVER thought of setting up your own stock market? Thanks to advances in information technology, it has never been cheaper – as evidenced by a proliferation of new trading systems, each fighting for a share of turnover in the international equity markets.

The new wave of technology poses some difficult questions for policy makers, however. Do the users of stock markets – investors and companies wanting to raise capital – benefit from competition or are their interests harmed by the resulting fragmentation of stock market trading? Is computing power actually reducing or distorting competition in stock markets, for instance by allowing some big broker-dealers effectively to run their own private markets?

That technology has brought down the cost of running a market is shown by the plans of Tradepoint, a company seeking to raise $11m to finance a trading system to take on the London Stock Exchange. The annual running costs of Tradepoint will amount to around $5m, says Mr Peter Bennett, chief executive and himself a former director of the London exchange. That means, to break even, the system needs to capture just 1.5 per cent of institutional share trading in London, he estimates.

It will be easier for investors to trade directly

Compare that with the London exchange, which has cut back on staff in the past two years yet still faced running and costs of £170m last year. Of course, the exchange does not only run a trading system: for instance, it sells information, settles share trades and acts as a regulator of share issues. But, faced with having to work with the technology it already has, rather than being able to start afresh, the exchange's technology costs are inevitably higher than its newer rivals.

It operates with six different mainframe computer types and eight different programming languages. It employs eight separate networks using four different protocols and 11 suppliers. This – and the weight of its history and regulatory responsibilities – means the exchange looks slow to react to technological change compared with its faster-footed rivals.

It faces one other big handicap: being owned by broker-dealers, it is under pressure to develop trading systems which benefit broker-dealers. Yet technological development should make it easier for investors to trade directly, cutting out the middlemen altogether.

Apart from Tradepoint, the exchange's rivals include Instinet, the Reuters-owned trading system which has built considerable market share in the US but has yet to develop a strong following in Europe.

Both systems are intended to bring institutional investors into contact with each other, allowing them to trade directly and so by-pass the costs of intermediaries such as broker-dealers and stock exchanges. Both recognise, though, that active traders are needed to make their markets function, and so try to harness the risk-taking of broker-dealers to provide a more continuous market.

Bringing investors together in this way is, technologically speaking, fairly simple. Tradepoint's system, which uses software developed by the Vancouver Stock Exchange, routes investors' buy or sell orders on to a central order board; other investors can then deal against these orders at will. Tradepoint also plans periodic computer auctions of less-actively traded stocks. Instinet, on the other hand, allows users to negotiate over price before reaching a deal.

This growing competition in the European equities market already has its parallel in the US. The New York Stock Exchange has been under attack for some years, as evidenced by the fall in its market share of equity trading in the US. It remains the centre for trading in NYSE-listed stocks, but a number of alternative trading systems have discovered a profitable niche operating around the market's fringes.

This technological revolution poses one of the most difficult questions for stock markets and the policy makers responsible for them. Is it beneficial to fragment trading in this way, or has technology made markets less efficient for investors? Exchanges complain that, outside their markets, trading is often done by reference to their market prices: yet because these trades are not brought to the market, they cannot influence the central market price, making the central market itself less efficient.

Arguably, such fragmentation started taking place in London, even before the advent of systems such as Tradepoint. Big securities houses, such as BZW, have developed systems for capturing and feeding orders through to their in-house market makers, who promise to trade at the "best price" available.

In effect, these houses are already running their own private markets. Stock market regulators have allowed technology to shape the markets in this way, so are unlikely to to try to prevent further fragmentation.

The launch of new trading systems – and a move by London and continental exchanges, to fight back with their own new technology – will mean a proliferation of trading screens in brokers' and investors' offices. Instinet and Tradepoint add to this diversity.

Not all are likely to survive. By definition, markets are only successful if they attract enough trading activity to make other traders want to use them. Those that do not establish this critical mass will wither away as traders focus their attention on the market-places where the action is. For those electronic markets that win, the future could be very profitable indeed.

Richard Waters

COMPUTERS IN FINANCE 4

Lloyd's underwriters take their time over computerisation

Traditionalists addicted to paper and ink

UNDERWRITERS at the 300 year old Lloyd's of London insurance market are overcoming their scepticism about new new technology but the journey from traditional methods of trading to the electronic marketplace is proving painfully slow.

Little progress has been made so far in either placing business or in processing claims electronically. And brokers perceive Lloyd's to be lagging behind its rivals in the company market. Yet there is a growing realisation among the market's underwriters that new technology must be embraced.

A Lloyd's syndicate was one of the first insurers to underwrite a risk electronically when the electronic placing support (EPS) initiative came on stream in the London market earlier this year.

So far, though, only 20 agencies of the 100 or so managing syndicates trading in the market this year have equipped their syndicates to trade electronically via the a system called electronic placing support.

Many older underwriters have yet to overcome their fear of new technology. Only a handful of personal accident and reinsurance deals have been placed electronically up to now.

Mr Terry Hayday, the chairman of the Lloyd's Network Steering Group which co-ordinates the activities of Limnet at Lloyd's, explains that electronic placement has always been designed to support rather than replace the traditional face to face negotiations between underwriters and brokers.

"We are well aware that the penny has only just dropped that electronic support means just what it says," says Mr Hayday.

Even so, there is widespread scepticism on the market, especially among underwriters whose main business is underwriting more complex individual risks.

"It is not going very far. I'm a bit cynical about it The market as a whole seems to be labouring with it," says Mr Mark Bodkin, an underwriter with one of the market's biggest syndicates, Cater Allen 190.

"It is not really relevant for the business we underwrite. We require a lot of information. You can get far more out of a broker than you can from black and white numbers on a screen," adds Mr Bodkin.

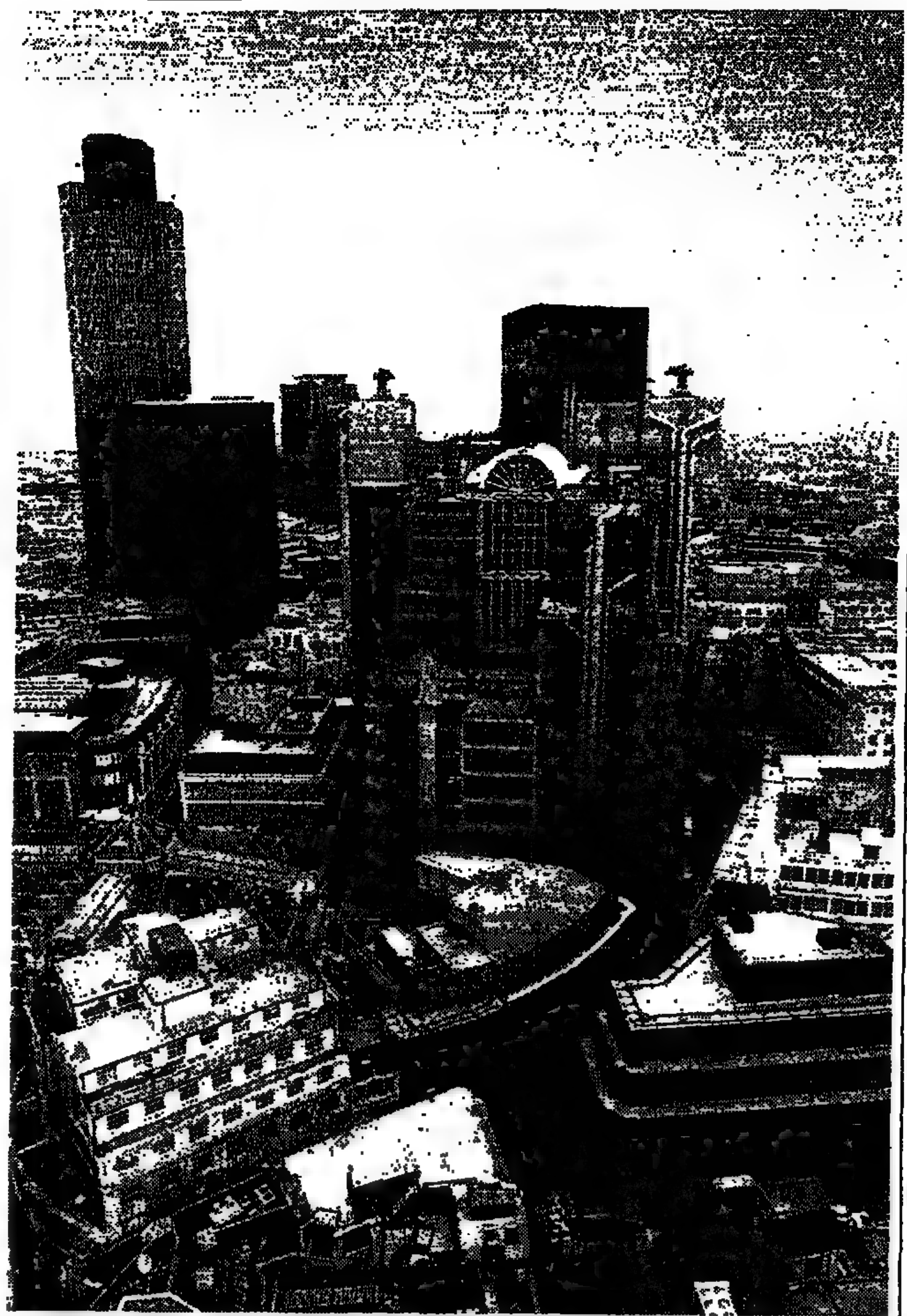
Mr Hayday accepts that the initiative has been launched at a bad time, with many syndicates hard-pressed for cash. Even though connection costs have fallen over the past few months, Mr Hayday accepts that underwriters "are naturally *understandably reluctant* to commit themselves until they know what the volumes going through the system will be.

"In today's environment where there is great emphasis on cost cutting it is difficult to persuade people. For a number of people whose syndicates may not be around next year it is not the highest priority."

Lloyd's has made less progress in another area of electronic trading, that of claims processing. Insurance companies who are members of the Institute of London Underwriters and London Insurance and Reinsurance Market Association are already processing more than 50 per cent of their claims payments electronically.

By contrast the Lloyd's market has only just begun to rationalise its existing paper-based claims handling systems.

Until July this year, claims that were paid by the market's marine, non-marine and aviation underwriters were all processed by separate offices.



Lloyd's of London: the break with 300 years of tradition is painfully slow Picture: Ashley Ashwood

The recently established unified claims office has yet to introduce an electronic claims system, although it is launching a pilot scheme at the end of next March and, at present, it envisages the introduction of a full scale system in 1994.

More progress has been made in a third EDI application, for processing reinsurance recoveries.

Underwriters are probably more optimistic about Lloyd's possibilities in this area than any other. Mr Richard Holliday, of syndicate 40, for example, believes that the LORS system will greatly add to the market's efficiency and bring immediate benefits to individual underwriters.

"The cost of generating reinsurance recoveries will fall. At the moment there are mountains of reinsurance credit and debit notes floating around," says Mr Holliday. "The new system will help with cash flow."

In spite of the doubts, though, everyone recognises that Lloyd's must come to terms with new technology. "I think there is an awareness that we have to wake up to new technology," he adds.

Mr Phillip Davies, of the Octavian Agency, whose syndicates have been among those linking up to the electronic placing support system, summarises the mood.

He says that his underwriters regularly check the system but rarely find any business is being offered. "It's is a bit like when fax machines started. Somebody had to start getting them."

Richard Lapper

The London insurance market approaches change at varying speeds

Structural obstacles litter the route

SIX YEARS after "big bang" and long after other city financial institutions have changed their working practices, the London insurance market is slowly beginning to embrace new technology. But the pace of change has been uneven.

Larger insurance brokers – professional insurance buyers – and insurance companies have backed the changes which they believe will radically increase the efficiency of the London insurance market and improve its ability to compete against European and North American rivals.

"Insurance is like any other business in that nothing focuses the mind more than the prospect of losing clients and making losses," explains *Mr Max Taylor, chairman of* the board of Limnet, a London market network which links up underwriters and brokers from all sectors of the London market.

Supporters of new technology have been forced to tackle an array of structural and cultural obstacles. The London insurance market is highly fragmented, divided by function, market specialisation and business organisation.

Brokers who buy insurance on behalf of commercial clients have no direct community of interest with underwriters. Underwriters of traditional marine insurance sometimes *see their interests as quite distinct* from reinsurers or insurers of large commercial risks.

Insurance companies, whose branches or divisions, are members of the Institute of London Underwriters (for marine business) or the London Insurance and Reinsurance Markets Association (for non-marine business), do not always see eye to eye with syndicates at Lloyd's of London.

Above all there are few big players, who have the economic weight within the market to force through changes. Lloyd's consists of more than 279 syndicates managed by about 100 agency groups and the ILU and Lirma each has more than 100 members.

This is in sharp contrast to the structure of the retail market's structure, where new technology has been introduced rapidly and thoroughly.

Huge supermarket chains have been able to use their economic muscle to force suppliers to adopt computerisation, says Mr Tim Taylor, of IBM which supplies hardware and systems support to the *London* Insurance Market Network (Limnet). Many underwriters have a small business mentality. "People are jealous of their own independence," says Mr Taylor.

Lloyd's, the ILU and Lirma agreed to develop common market standards for electronic communication in 1987. However, given the market's fragmentation, progress has inevitably been *uneven. It has been* most comprehensive in backroom operations farthest removed from the markets' day to day trading activities.

Limnet chairman Max Taylor: losses concentrate the mind

Limnet's "signing and accounting messages" application *handles the cash flow* transactions that follow the placement of a risk. Brokers and underwriters deal with all these accounting transactions via centralised market bureaux – such as the Lloyd's Policy Signing Office.

These act as financial clearing houses. Virtually all these transactions – some 28m a year – are now handled electronically across Limnet.

In transactions affecting the day to day business of placing business and handling claims, progress has been understandably slower. However, both ILU and Lirma companies now process more than half their claims electronically, *while* some individual brokers handle a much higher proportion.

Willis, for example, processes more than 80 per cent of the claims it deals with over the electronic system. Even the *Lloyd's market*, where three separate claims offices were unified in July, hopes to launch a pilot scheme at the end of next March.

Ms Jenny Shaw, executive director of Willis Corroon Group information systems division, says that the average time it takes to pay claims has been reduced five weeks to between two to three weeks.

This has yielded important savings for Willis which has been able to handle the huge volume of extra claims emerging from the London insurance market's recent heavy losses without having to take on extra staff.

Ms Anne Waite, divisional director of Willis Corroon's marine division, says that the system has helped staff avoid mistakes and improve the consistency of its data.

Progress in electronic placing of risks by brokers has been much less rapid. This is partially because many underwriters are only just beginning to understand how the EPS system can support the more complex face-to-face negotiations which are such an important part of business in the London market.

The bulk of the more than 200 risks placed electronically since the system came on stream in April have been for insurances such as personal accident policies, in which terms and conditions tend to be standard. In the insurance of more complex risks, electronic trading supports rather than replaces face-to-face negotiations.

For example, Mr Richard McFarlane, international property broker with Willis Corroon, recently spent up to 20 hours in talks with two "lead" underwriters to agree on a large portion of the insurance of an Australasian power plant.

These "lead" underwriters examined a range of details about the risk, ranging from the geology of the area where the plant was located, to the cost of alternative power supplies, before agreeing a premium rate.

Once these matters were agreed, support from a "following market" – made up of more than a dozen other insurers – was gathered electronically. The ability to trade in this way saved the brokers and underwriters time and money.

Richard Lapper

Motor trading sets the pace for instant data swapping

The process is irreversible

WHEN Karl Benz built the first motor car in 1885, a law was already in place in the UK requiring that a person should walk, carrying a red flag, in front of any car. The UK insurance business has historically had its own red flag for technological developments – an in-built suspicion. However, in the last five years this attitude has changed, radically in some cases.

Some people within insurance have seen the need for the application of computers beyond just word processing or use of the odd spreadsheet. They have worked hard to promote electronic data interchange (EDI), and several initiatives have made progress in this direction.

Electronic trading is the future for insurance, and it is likely that within the next few years the passage of insurance transaction information over computer networks will be as ubiquitous and unremarkable as the use of a motor car to get from A to B.

Electronic trading of insurance requires the sending of standardised, structured information securely between the parties involved in the transaction – client, broker and insurer.

Current initiatives aim to allow insurance quote, proposal, policy, claims, adjustment, renewal, accounting and *other administration information* to flow over networks between brokers and insurers. Limnet is one such initiative which involves the London insurance market.

Within the UK there are par*allel initiatives in the* electronic trading of personal lines insurance – motor, household and life – and in commercial lines. As Mr Mike Anstee, director of electronic marketing at London & Edinburgh Insurance, says: "It is imperative for the market that we get EDI moving to get rid of both paper flows and the duplicate entry of data."

Motor business has forced the pace. A large boost to electronic trading was given by the Automobile Association, a leading motor insurance broker which is part of the BROKERNET EDI community comprising insurers, brokers, and International Network Services (INS) – the operator of the network over which the information flows.

BROKERNET initially developed EDI standards for motor insurance, and the momentum required for the widespread adoption of these standards came largely because of the volume of business done by the AA. In September 1992 INS saw a flow across the network of around 400,000 electronic documents of a dozen different types. Around half of this flow involved "new business" motor insurance transactions.

Mr Colin Billinge, director of *INS, argues that there are two* encouraging signs. Firstly, initial resistance to the setting of standards has been overcome. Secondly, the phrase "electronic trading" has become accepted within the insurance *industry. Standards are vital to EDI but as Mr Billinge points* out, "standards for data interchange does not imply standardised insurance products".

Systems allow a client to walk into a broker, see a quote, choose a policy, have a cover note printed off, and for the data to be sent to the insurer

Several electronic trading "communities" are up and running. Systems companies such as Policy Master, Quotel, Misys, and North Park provide software for brokers' personal computers. The total number of computer terminals running such software has been estimated at around 8,000. Networks such as those operated by INS and IBM link to the insurers' computer systems.

These systems allow a client to walk into a broker, see a motor quote, choose a policy, *have* a proposal and a cover note printed off, and for the information to be sent down the wire to the insurer. Account reconciliation between insurer and broker is also available.

The next step is for EDI links to handle "mid-term adjustments" (for instance, when a client changes car or address), renewals, and claims. EDI would then, for example, allow a broker to follow the progress of a claim by linking in to the relevant insurer's internal computer system.

Household insurance is also in line for the EDI treatment, with the *initial round of standards'* definitions in train. In the life insurance sector electronic systems are still largely centred around videotext technology.

However, developments here were *boosted by the formation* in early 1991 of The Exchange, a company funded by 20 leading UK insurers aimed at promoting electronic trading of many products – life insurance, mortgages and related *products, pensions* and *annuities, investments and savings,* health insurance. The Exchange has made much progress in bringing together interested parties.

Commercial lines of insurance are less "off-the-shelf" than personal lines, and this is reflected in the gradual and coherent approach taken to the electronic trading of these classes.

More than 20 leading insurers and brokers set up a commercial lines market initiative (CLMI) in 1990. Following much development work a company, CLMI Ltd, was launched in August 1992. Mr Peter Foreman, managing director of Sun Alliance International, announced at the launch that accounting would be the first EDI priority, then electronic mail, claims and eventually the presentation of *risk packages, at least in the* easily rated classes of business.

Mr Alan Waring, electronic marketing manager at Sun Alliance International, says that the two core objectives behind CLMI are increased efficiency and reduced costs. He adds: "It was decided that managers within the insurance business would dictate progress rather than be led by the computer systems houses."

Early CLMI feasibility studies looking at data and work flows were followed by more detailed work in four areas – business requirements, technical requirements, data standards, organisation and funding.

Mr Mike Anstee says CLMI has "come a long way quite quickly considering what we are trying to do". In April this year a CLMI report recommended progress in three *phases.*

Firstly, the formation of CLMI and the election of a board. Secondly, the introduction of facilities for premium accounting, claims administration, electronic mail, and the *presentation* of simple risk packages. These phases are now under way. The third phase, envisaged as being two or three years away, is introduction of EDI facilities for quotations, policy wording and *renewals.*

Mr Waring argues that the element of competitive difference between insurers must remain. The necessary setting of data standards required by EDI must not introduce inflexibility in products. The first phases of CLMI deal with practical solutions to backroom efficiency problems. For the next phase, "it is necessary to work out how far the industry wants to introduce networking for trading".

Commercial insurers deal with more underwriting criteria than those in personal lines. If products become totally *price-driven* it will be more *difficult to provide value* added service.

Mr Waring calls on the industry to address the question: how will a UK-wide network affect the shape and size of the commercial lines market?

While EDI provides a tremendous amount of benefit in cost and efficiency terms, its use as a trading tool has to be assessed keeping in mind the *potential to change the* structure of the way business is done.

Simon Reynolds

COMPUTERS IN FINANCE 6

Economic models need to be improved

Forecasting failure

ECONOMIC models have won few awards, and plenty of wooden spoons, in Britain over the past few years.

When it comes to predicting how economies work, few economists are happy unless they have at their finger tips a computerised model - sets of software which link economic variables such as inflation and manufacturing output.

Unhappily, in recent years the models have left much to be desired, especially in Britain where most have had a dismal record in forecasting the longest recession for 50 years. But while one reaction is to ditch the models and rely on intuitive methods to project economic patterns, there is a strong interest in trying to improve on the models.

In the UK, about 10 big economic institutions run their own models of how the economy is supposed to work. These include the Treasury, the Bank of England and other non-government organisations such as the National Institute of Economic and Social Research and the London Business School.

Copies or variants of these models are used in a large number of smaller forecasting groups, either in the City of London or in academic establishments.

But economic models are essentially tools which must be supplemented by the skills and reasoning process of the economists in charge of them.

Models usually comprise several hundred mathematical equations linking a few dozen specific economic factors according to statistical correlations applied previously or to economic theory.

Using the links between all the equations in the model, an economist would hope to be able to infer how different combinations of economic events pushed demand or spending in specific directions, and thus trace the possible path of the economy as a whole.

Most economic models are based on the mathematical relationships between such variables as consumer spending and interest rates that have been shown to apply in the past. They operate reasonably smoothly in economic conditions similar to those which have happened already.

But Britain in the past few years has experienced a peculiar combination of circumstances. These have included the high costs of servicing the large debts run up by consumers and businesses in the late 1980s, entry into a fixed system of exchange rates, high European interest rates sparked by German unification and a slowing world economy.

That partly explains why hardly any UK economist was able to give reasonable advance warning of the seriousness of the recession, even though by early 1991 a small group of City and academic groups had woken up sufficiently to what was happening to be predicting a lengthy period of decline.

In this environment, many groups of economists are taking a hard look at the construction of their models and how they are used. Among the different initiatives are those to:

Economists are taking a hard look at their models

- Stop using models. Mr Peter Warburton, UK economist at investment bank Robert Fleming, says he realised three years ago that the monetary slowdown sparked by the high debts of late 1980s were making current models useless. Mr Warburton abandoned his economic model which he had worked on since the mid-1980s and relied instead on his own reasoning power and judgments. Perhaps because of this decision Mr Warburton has had more success than most in predicting the dire straits that the economy has fallen into.
- Plug holes in the existing models. Mr Leo Doyle, econometrician at Kleinwort Benson investment group used this approach in the late 1980s when reasoning that the Treasury model – a copy of which he was using – did not cover sufficiently areas such as the impact of debt on corporate balance sheets. He therefore introduced new equations into the model which Kleinwort Benson has subsequently used, taking into account the impact of debt by both consumers and businesses on levels of spending and demand. He also worked into the model the effect of falls in asset prices particularly houses on confidence patterns and consumption. As a result of these changes, Kleinwort Benson has been one of the leaders in the UK in predicting that the recession would be lengthy.
- Simplify equations in the existing software. One approach has been to use vector auto-regressive (VAR) models, which use fewer variables than most conventional models. They rely less on economic theory more on relatively straightforward statistical projections based on past data. The UK branch of Goldman Sachs, the US investment bank, is using VAR models. It reckons they are showing promise.
- Artificial intelligence. One relatively new idea is to match human intuition with the powers of computers. This boils down to extracting from top economists the kinds of rules and judgments they use when thinking about economic events and putting these in a form that a computer can understand. This computer is then linked to standard economic models to provide projections about economic events that are derived from the model's view of the economy mixed in with human skills. The Henley Centre and London Business School are among several research groups experimenting with this approach.
- Add more intuition. The Ernst & Young Item Club , a forecasting group which uses the Treasury model, attempts to come up with a number of outside judgments derived from industry representatives when providing an opinion about the future. It starts with a description of the economy as mapped out by the model and adds opinions obtained from economists working in specific fields. Item's approach is a useful step towards formalising the interaction between the model and outside judgments which is a key part of any forecasting procedure.

Peter Marsh

Worries over breaches of security take centre stage

The dangers are growing

A UK bank, coping with short staff over the Christmas holidays, recently gave a supervisor one of the two passwords needed to transfer funds overseas. The other password was stuck to the side of the personal computer the supervisor used. Within minutes he had transferred £2.5m overseas. Within hours he was on a plane, following it.

This is the kind of incident computer security aims to prevent. Most breaches of security are far less glamorous. Power failure is the biggest single cause, according to a recent survey of IT security by the NCC. Poor software, not diligent hackers, is another big cause of problems.

Malicious or not, risks to computer systems are increasing. More transactions formerly made on paper are now being handled electronically.

At the same time the trend to make computer use universal is increasing the number of people that can gain access and do damage to computers.

The move towards distributed computing and away from centralised control on mainframe computers, adds to the hazards. "Every time someone tags on to a network legitimately they can theoretically hack on further," says Mr Andrew Mulholland, marketing director of BICC Information Systems and Services, a company which specialises in networking.

The danger is clear. How many breaches of security have taken place in the past is less so. Banks and other financial institutions are reluctant to admit to breaches of security.

In its 1991 Survey of IT Security Failures and Breaches, the NCC estimates the cost of physical security breaches such as power failures, thefts of equipment and fires, to be as much as £100m annually for finance organisations. Breaches in logical security, such as faulty software or software viruses, total at least £35m, it says.

The financial community uses various techniques to protect itself against such losses. The Bankers Automated Clearing Service (Bacs), for example, is protected from unauthorised access on two levels, says Mr Cyril Bloch, managing director of Telesmart, a UK company providing software products to work with Bacs.

A password generator controls access to the network, automatically creating a new password each time a user enters their pin number. The password lasts only as long as the transaction.

This is combined with authentication. Users are issued a set of keys which generate an authenticator which appears at the beginning and end of each file, helping to protect the file from corruption when it is being transmitted. Files can also be encrypted so that even if someone does break into a file being transferred, the data will be in code.

Another technique now gaining currency is biometrics. A biometric is a measured value which identifies a person. It could be a fingerprint, a signature or even a retinal scan which has been analysed and given a unique identifier. "The difference between a biometric and a password is that a password can be stolen. A biometric can't," says Mr Jim Copson, a product manager for IBM's banking business.

Non repudiation has also become a feature of some systems. This allows the organisation to trace precisely via its computer system who was responsible for a particular transaction.

Security is like insurance: the more an organisation has to lose from a breach of security, the more it will spend to counteract that risk. For this reason more financial organisations are looking for ways to assess their risk.

The more an organisation has to lose, the more it will spend

Some have developed software packages which look at the various aspects of risk.

The larger clearing banks who are exposed to greater risks have evolved higher levels of security. Smaller organisations with older, less well developed systems, tend to be more exposed, says Mr Clark.

The trend towards the use of local area networks and distributed computing systems which take power away from the centre pose new security problems. "We only want some of the people to have some of the information some of the time," says BICC's Mr Mulholland.

Most networks are designed to allow for maximum spread of information. To counter this, BICC advises its customers to think about information domains.

Instead of sending all data all the way around a network, it should be limited to a particular group of workstations. This means creating workgroups and controlling the flow of information.

"The security of the information itself is not the only issue," says Mr Colin Williams, marketing director of Gandalf Digital Communications, a supplier of networking equipment. "People are realising that there is real risk in security of operation as well."

Many companies are developing standby systems to take over when the primary system fails. It may mean using services from both British Telecom and Mercury, so that if one is interrupted, the other may not be.

Advances in technology tend to multiply security risks and in the rush to use them, security considerations are pushed to the rear. But some advances will also help to increase security. The use of frame relay and cell relay technologies in networks is one example.

These make it more difficult to pull useful data off a network because small segments of data are routed over a network and not reassembled until they reach the end point.

Similarly, as the cost of biometrics continues to fall, they will be used more widely. As electronic data exchange becomes more common, techniques such as biometrics which are now limited to banks will move into the commercial sector, says IBM's Mr Copson.

But, says Mr Chris Hook, deputy principal consultant at the IT security division of the NCC, "you can have as many passwords and encryptions as you like. They're no good if you don't keep the keys safe".

Margaret Coffey

IT helps building societies look after customers

Service still friendly

THE UK's building societies are proud of the friendly image they have managed to hang on to, in spite of embracing much of the selling culture of modern retail banking.

Nor does this image seem to have been hampered by their enthusiastic adoption of technology. The building societies have the only nationally branded ATM network, Link, and their branches have long had counter-top terminals, whereas most banks have yet to install them.

A cynic might say what keeps the service friendly is time it still takes to update a passbook on the terminal, leaving plenty of time to chat with the teller. But the main benefit is that a customer can go into any branch of his or her building society and make a withdrawal or a status (balance) enquiry with a passbook. Unlike the banks, the societies have central customer databases, even if many are still account-based rather than customer oriented.

"The building societies are the most sophisticated users of branch systems," says Mr Nigel Croisdale, director of ICL Financial Services Division, whose Omnia Branch retail banking system is aimed largely at the building society market.

But the recession and the collapse in the housing market, bringing a drop in mortgage lending and a rise in bad debts, has forced the societies to reassess IT and business strategies. The era of diversification into new product lines has given way to one of renewed concentration on the core savings and loans business.

Technology can be used to improve customer service and hence to maintain or increase market share. And while the building societies' cost/income ratios are generally better than those of banks, they are now looking to reduce costs and increase productivity. IT can help achieve this, as long as IT expenditure itself does not get out of hand.

Mr Paul Finch, associate director with Computer Management Group (CMG), says the current climate has meant that the "naturally conservative" building societies are looking harder at IT spending. Some are "lean and mean" on the IT side, he says, but others have fat to be trimmed.

Unlike the banks, building societies have stuck to a "do-it-yourself" approach to IT, says Mr Finch. "They are reluctant to spend money on outside expertise or to delegate project management."

IT strategy has to be driven by business strategy. Mr Kevin Southwood, marketing director at Northern Rock, says, "but some institutions fail in their IT strategy because they don't have a well-defined business strategy, or because they change it every six months," he says.

The business strategy at Northern Rock is to go for high growth, calling for speed and flexibility in product development. "If I want to launch a new fixed rate mortgage I need to be able to get it out to the branches tomorrow, not in a fortnight," says Mr Southwood.

This flexibility has been achieved through core systems re-engineering, he says, while cost effectiveness has been improved by basic office automation. People, says Mr Southwood, sometimes re-engineer systems unnecessarily because they confuse systems problems with office automation problems.

Northern Rock has systems people attached to each business department, such as mortgages or investments, and this, says Mr Southwood, "helps enormously in the understanding and management of systems." This reorganisation of staff took place three years ago and has, he says, "brought spectacular benefits in terms of getting things right first time – it has dramatically changed our project times".

The Woolwich is another believer in in-house systems development, partly as a result of its bad experience in the 1980s when it had considerable trouble modifying an integrated accounting package from Hogan Systems.

Ray Scotter: downturn has brought a drive to cut costs

Mr Ray Scotter, general manager of information services at the Woolwich, admits that the economic downturn has brought a drive to cut costs, in IT as elsewhere. There is, he thinks, "some scope for reining in costs without significantly impacting the business side". New development projects will be more closely questioned, as will costs and resources on the operations side.

But although the scope of development activity may be reduced, IT remains central to the Woolwich's business priority of improving customer services. "We have to focus on providing good quality IT support for the staff in the branches," says Mr Scotter.

A big project for the next 12-18 months will be a radical overhaul of the Woolwich's branch systems. Being one of the first societies to have put online systems in all its branches, much of the equipment is due for replacement. The present mix of IBM dumb terminals supplemented by standalone PCs will be replaced by PCs running under local area networks (LANs).

Keeping up its levels of IT investment is the Leeds Permanent which has undertaken some big IT projects in the past couple of years. It has installed a new branch system based on a network of Olivetti PCs at a cost of £25m, and a new mortgage system in the form of a £10m Unisys UFSS package.

Mr George Scarlett, head of computer systems and services at the Leeds, describes the developments at branch level as "a phase of empowerment" – providing more systems support and allowing staff to perform functions previously carried out at head office. Conversely, the Leeds is also looking at taking out of the branch those administrative functions that do not affect customer service.

Projects in the pipeline at the Leeds include a prototype for a new front end system with a graphical user interface (GUI) to run on PCs in the branches, which is due to be rolled out next year.

Business strategy may vary from one society to another, but Mr Croisdale at ICL thinks one thing links those who are successful in their IT strategies: "The most successful IT users are those where the top management takes a hands-on interest in the success of IT projects."

Derek Austin

COMPUTERS IN FINANCE 7

Roger Bellass, managing director of Tandem UK

PROFILE: TANDEM

Fortunes shift with those of the industry

THE changing fortunes of Tandem, the Cupertino, California-based maker of "fault-tolerant" computer systems, reflect the shift in attitudes towards computerisation within the financial services industry which is its principal customer.

Founded in 1974, it has grown steadily if unspectacularly to revenues of $2bn for the year ended September 30, 1992. The company made a net loss of $41.2m after restructuring charges of $106m. The company, therefore, has not proven immune to the effects of the worldwide recession on its leading markets.

Mr James Treybig, Tandem founder and chief executive, made it clear that adverse market conditions would continue: "We remain cautious about the future," he wrote, introducing the results. "Historical experience would indicate a slower first quarter and uncertainty in Europe and Japan continues."

The bald figures, however, give little indication of Tandem's position and continuing potential in the financial services world. In two decades it has become as clearly identified with "mission critical" systems in banking and finance as International Business Machines and Digital Equipment are identified with "back office" accounting machinery. Its customers include big banks and stock exchanges. One of the best-known examples of a Tandem-based system is the London clearing banks "Chaps" same day payments system.

There have been three phases in the history of Tandem. Its earliest role was as a pioneer of fault-tolerant systems. It was the first minicomputer manufacturer to understand that a market existed for systems which could be guaranteed never to fail. Customers for such systems included financial institutions, newspapers and the armed forces.

Tandem's approach was to duplicate all the essential hardware elements, controlling the allocation of resources through the "Guardian" operating system; Tandem computers, like any others, failed on occasion, but in a controlled manner without loss of data. It was an expensive approach, but for some applications there was no alternative.

In its next phase, beginning in the early 1980s, Tandem emphasised its expertise in on-line transaction processing (OLTP). It reasoned that fault-tolerance was of such advantage that within a few years, all computers would be fault-tolerant. At the same time, a rash of competitors emerged in the fault-tolerant arena, of which the most tenacious has proved to be Stratus, based in Marlboro, Massachusetts.

The threat failed to materialise. Perhaps because of the increasing reliability of computer hardware, few other manufacturers made much of fault-tolerance and Tandem and Stratus – which supplies its machines under a marketing agreement to IBM, Olivetti and ICL – remain market leaders.

On-line transaction processing, however, is the key to productivity in applications from payment processing, airline reservations, telephone networks, operations management, time and attendance and customer information. According to the Gartner Group, OLTP is the fastest developing sector of the computer industry with an annual growth rate of 20 per cent; it is expected to be worth over $70bn by 1994.

Tandem claims that OLTP run on its fault-tolerant systems is more cost-effective than OLTP run on its competitors' non-fault-tolerant (and therefore less expensive) machines.

In its third phase, Tandem is moving into "continuous availability", a stage beyond fault tolerance, where the system is never out of action. Components will, of course, continue to fail, but in such a way that they can be removed and repaired while processing continues.

Mr Roger Bellass, managing director of Tandem UK, one of the company's biggest markets outside the US, says that few companies have so far tried to design a continuously available system. "It is possible to create a continuously available system if you buy enough equipment, but that is quite different from designing a continuously available system from scratch."

Tandem typically spends 13-14 per cent of revenues on research and development and intends to maintain its investment; it is looking for economies elsewhere in the organisation as the recession continues to bite. Mr Treybig points out, for example, that the company has moved out of printed circuit board (PCB) manufacture, and sold off its PCB factory. It will now buy in its boards, fully populated with microchips and other electronic components: "We can never be happy with our costs," Mr Treybig says.

A big feature of the company's product line has been its ability to offer liner expandability – where performance increases in direct proportion to system size. In the past few years, moreover, Tandem has developed products to match industry trends to "open systems".

It offers a family called "Integrity" which provides fault-tolerance on the Unix operating system. Announced early in 1990, it was a startling development for a company whose success had been closely tied to the quality and reliability of its proprietary operating system, but its acceptance in the market is further evidence of the appeal of standard software.

Mr Treybig says: "After several years of investment in building a Unix-based product division, our Integrity systems division more than doubled revenues in the fourth quarter compared with a year ago and contributed to profits."

It has also recently moved into reduced instruction set (Risc) architectures which offer high performance at low cost. Its chosen partner in Risc technology is Mips, now a subsidiary of Silicon Graphics. Mr Treybig seemed confident of Mips despite the company's recent indifferent performance. Referring to a new microprocessor from Digital Equipment which, on paper at least, is the world's fastest, he says: "I don't think that the Alpha chip is going to run away with the market." At the top of the range is the Cyclone/R, which Tandem says is the first Risc-based mainframe for high volume OLTP.

Mr Treybig believes Tandem's survival and success stems from its ability to provide scalable systems, fault-tolerance and data integrity: "It is not just the work of a few people, it is a whole culture," he concludes.

Alan Cane

PROFILE: WINTER PARTNERS

Open strategy for survival

AFTER a staggering period of expansion and prosperity in the mid-1980s, international financial institutions face a tough time in the current world recession.

Expansion plans have been postponed, especially those for information technology, and even the usually recession-proof software industry has found it hard to maintain the heady growth of a decade ago.

The world recession has coincided with a sea change in the structure of the computer industry – with leaders such as IBM and DEC laying off staff and their customers looking for ways to reduce costs. The trend towards downsizing and open systems is fundamental to this change.

The Swiss-based banking software supplier Winter Partners sees open systems as the best way to survive in tight market conditions. It started work on moving its main software packages to open systems in 1989 and expects to deliver the first results next year.

The development would have been achieved faster, had it not been for the company strategy of extending the scope of its packages, at the same time as broadening its potential market by taking the software to other computer systems.

"We have a two-pronged approach: firstly, we are moving the products to Unix platforms for open systems; and secondly, we are introducing more functions to meet the needs of our customers," says Mr Keith Williams, general manager of Winter Partners' UK-based IBS-90 division.

"This is essential in the current market conditions, which are the worst I have ever known. Although we are still selling systems, we are seeing volumes between 30 and 40 per cent off – which I believe is typical in the rest of the industry," Mr Williams says.

With software installed in 400 sites across 35 countries, Winter Partners has shown that it is possible, however, to ride the ups and downs of international finance by spreading its net wide.

Founded in 1970, Winter Partners is a privately-held Swiss software company, with a minority interest held by Electrowatt AG. In its last financial year Winter Partners reported total gross revenues of SFr36m, ($26.4m) earned from selling banking software packages and management consultancy. Revenues are split evenly between the two areas – although, in most cases, the consultancy effort is linked to Winter Partners own products.

Winter Partners sells three different software packages:

- Bancos, a package for private banks, sold mainly in Switzerland and mainland Europe;

Williams: two-pronged approach

- RIBS, a package for building specialised applications such as portfolio management, again sold mainly in Europe;
- IBS-90, the company's flagship package which covers all aspects of international banking and sold worldwide.

Development work on IBS-90 is carried out in the UK – including the effort to move the software to Unix-based open hardware.

The UK connection is the result of an important acquisition and the company was virtually unknown in the UK until April 1987 when it took over Arbat, a leading UK banking software company.

The surprise takeover pushed Winter Partners into the headlines and increased its international profile. After steady growth through the 1970s, Winter Partners started its expansion phase with the aim of becoming a world player in the banking software market in 1980.

Since then, it has achieved a strong position in its European "home" market and in the Far East. In 1990, it expanded once more, this time into the US market. It now has offices in most big banking centres including the UK, Singapore, Hong Kong and the US.

Its customers include 60 of the world's top 200 financial institutions with names such as Barclays Bank, Kleinwort Benson, the Bank of England and National Westminster Bank at the top of the list.

Winter Partners has also taken up the challenge of the emerging market in the former eastern bloc countries of Europe and has sold its software to five banks in Hungary and one in Poland.

The takeover of Arbat in 1987 brought Winter Partners a valuable prize – Arbat's International Banking System (IBS) software package, which runs on DEC's VAX minicomputer. The scalability of the DEC VAX has let Winter Partners to sell its software into a wide range of financial institutions.

In April 1990, Winter signed a co-operative marketing agreement with DEC to promote a re-vamped package under its current name IBS-90.

Over the past two years Winter Partners has invested an average of 30 per cent of its revenues in continued development of the package.

More importantly, it recognised the opportunity presented by emerging open systems hardware and embarked on a project to re-write the IBS-90 software to exploit this. The UK development team is re-writing the IBS-90 modules in the "C" programming language, which is closely associated with open Unix systems. Once all the program code has been converted, it will be simple to tailor it to a specific Unix system.

The package consists of a large number of modules which can be used to build an "integrated" system for the international wholesale banking business. It covers front and back office operations, in addition to providing management information statistics and analyses.

It includes modules to handle everything from treasury exposure management, through foreign exchange, to interest rate swaps and marketable securities.

There are also modules to handle commercial lending and credit control and business development analysis.

IBS-90 can link to the Swift network.

Winter Partners expects the first sales of the open version of IBS-90 to go its traditional market based on DEC minicomputers. DEC is committed to making its DEC VAX range compatible with emerging open systems and Winter Partners' long-established relationship with DEC will stand it in good stead.

"But we will not be limited to just DEC as we are now," says Mr Williams. "Now the programs are nearly all converted to 'C', we can look for a broader market – depending on what choice our customers make."

By the third quarter of next year, when the first open IBS-90 packages are scheduled to be installed, times might not be quite so hard. But, whatever happens, the growth of open systems as the basis for future applications software, will give Winter Partners an important new market to sell into.

Philip Manchester

COMPUTERS IN FINANCE 8

The new Bank of Edinburgh is consolidating client information

Starting from scratch

THE Bank of Edinburgh, a start-up bank funded by venture capital, intends get away from the traditional banking services which restrict clients to a set of pre-defined product offerings. Instead it wants to tailor packages of banking services to meet its clients' individual needs.

In order to do so, it is installing a computer system imported from Canada. The system is novel in UK banking terms in two ways. It is sufficiently flexible to cope with individually tailored packages for clients. It also runs on a personal computer network.

According to operations director Mr Sandy Macdonald, the bank has tried to move the parameters of retail banking. Most banks today offer products: mortgages, higher interest accounts, 60-day notice accounts, and personal loans, are some examples. These products are the parameter for storing customer information on the computer systems.

But on the Bank of Edinburgh system, the data is structured so that the customer is considered as a single account. It stores customer information under their name, combined with a unique customer number.

Every piece of business that the customer does with the bank is registered as a sub-set of that account: under the customer's name there might be three sub-sets, say, one for normal instant access, one for 90 days notice and another for a loan.

The system can also consolidate a client's entire banking data on to a single statement. So instead of getting separate statements for their higher interest and cheque accounts, the client gets one statement showing both accounts.

"The system is geared towards the relationship between the bank and the customer," says Mr Macdonald. "No matter how many accounts a customer has, we treat them as a whole, and at any time we can see that customer's relationship with the bank," he says.

The system is also able to break down information. For example, a solicitor's partnership might wish some items to be broken down to help it manage its own internal cost allocations.

"As long as you can identify the date, time and nature of the transaction, you can begin to start grouping things together ... Possibly the reason why it has not been done before is because the descriptions have not been good enough," says Mr Macdonald.

For example, bank statements will usually show that a cheque was paid in, but not where it was from. "We believe the manner in which we will use the transaction codes will be more flexible," says Mr Macdonald.

Software for the system was developed by Canadian banking software specialist Prologic, working with the Richmond Savings Bank in Vancouver.

It is based on Prologic's own fourth generation language (4GL) software, known as Probe. The 4GL language is generally considered to be more flexible and easier to work with than older computer languages such as Cobol.

The Richmond Savings Bank installation now has 350 PCs in 10 branch offices, all linked across telecommunications lines. It handles 600,000 accounts and processes 115,000 client transactions a day. It is claimed that a PC in a branch can retrieve information from the database in three seconds.

The software was adapted to handle UK banking regulations by the Bristol-based software house Apak. A deal was arranged between Apak and the Bank of Edinburgh, whereby Apak would refine the system to meet the bank's requirements, but Apak would keep the intellectual property rights. It hopes to sell the product in other parts of Europe.

The Bank of Edinburgh system, which is now installed, is much smaller than the Vancouver one. It has only seven 386 PC terminals, and two 486 PCs acting as file servers: one runs the network and the other stores the customer accounts database.

This is expected to be sufficient to handle early requirements for the bank. Its strategy is to expand by acquisition, and it is currently bidding for the Heart of England building society. Assuming the acquisition is successful, others could follow.

Any acquired building societies will be able to continue using their own systems, but will also be able to gain flexibility by linking up to the bank's system if they wish to. As it is built on industry-standard software and hardware, this should not be difficult.

The Bank of Edinburgh's system achieves a goal that many other retail banks worldwide are aiming for. According to Mr Paul Stockton, a banking specialist with Hoskyns Consulting, the banks today are looking to improve customer service but also want to ensure remain profitable.

One issue that many are looking at is market segmentation. The large banks need large numbers of customers, and the only way they feel they can service that mass market is with standardised products.

Personalised service of the type by the Bank of Edinburgh is a way to attract the higher value personal and business customers, says Mr Stockton. "People now expect more from banking and all the banks are looking at market segments and niches" he says.

Many, such as the large UK high street banks, are constrained by older, monolithic mainframe systems, developed many years ago for a different type of banking market. All are making huge investments in new customer-oriented databases. But the huge investments required mean the process has taken a long time.

Start-up operations such as the Bank of Edinburgh, have the luxury of being able to design systems from scratch. Another example is the Midland Bank's telephone banking subsidiary, First Direct. At First Direct, bank staff sit at computer terminals with all the information about a customer at their fingertips.

Mr Macdonald stresses that the Bank of Edinburgh is not aiming to imitate First Direct. It does not have access to the wider range of banking services, such as cash point machines, that First Direct can obtain from Midland; therefore, it is clearly positioning itself at the high value market segment, which its own technology can adequately serve.

Monica Horten

LAPTOP SOLUTION: *Birmingham Midshires Building Society is using NCR Safari notebook computers for its force of more than 100 financial advisers. The £260,000 contract was won in competition with 14 other portable computer suppliers. The order follows a decision by Birmingham Midshires last September to join forces with Sun Life property services division: the laptops provide information on building society and Sun Life products, and produce on-the-spot quotations and graphic illustrations for clients. The laptops are linked with Kodak Diconix 701 portable printers.*

Integrated banking system at branch level

NATIONAL WESTMINSTER Bank is spending £20m in the current year to get a comprehensive dedicated computer communications system up and running. Olivetti is installing more than 1,000 network controllers at NatWest – these controllers offer a high degree of communication in retail banking applications.

The controllers summon personal account data via the bank's network.

To develop its nationwide branch server network, the bank is using systems from Symicron Computer Communications of Eltham. Mr John Tilbrook, Symicron's chairman, says: "It was imperative for the bank to 'marry' its existing network to the application needs at branch level. This demanded full flexibility of communications options."

The installed NatWest solution involves a combination of Symicron's products for open systems interconnection (OSI), System Network Architecture (SNA) and Unix TCP/IP communications. More details on the Symicron system are available on 081-857-5577.

THE US

New ideas improve an old system

COMPUTER technology has long been at the forefront of change in the operation of the US banking industry.

From the introduction of the first automated teller machines (ATMs) in the 1970s through to the widespread introduction of the "debit card" over the past decade, computer systems have been instrumental to maintaining the breathtaking pace of change in what is – by its very nature – a somewhat conservative industry.

In spite of all this change, however, most US banking customers still prefer to do some things the old way. One might be forgiven for thinking, for example, that the growth of interest in EDI (Electronic Data Interchange) and consumer debit cards would have started to make the banking industry a great deal more paperless.

But that would be to ignore the familiarity and friendliness of the cheque. According to the financial services division of computer giant IBM, around 50bn personal and business cheques are processed by the US banking system every year and there is no sign of a significant decline in the use of cheques.

For this reason, the banks are taking another look at the way they handle cheques. The cheques are often proofed manually and then added up, using elderly 10-key adding machines before being finally entered into the bank's main computer system.

IBM, for example, has developed what it calls a "proof of deposit" system based on image processing and optical character recognition technology.

It operates by first scanning all the cheques into an image-processing system and storing an electronic image of each cheque and then using optical character recognition (OCR) software to read the details of the transaction represented by the cheque.

IBM claims that its Image-Plus High-Performance (HPTS) Proof-of-Deposit (POD) system is able to read and record more than half of the handwritten and machine-printed dollar amounts that appear on image-captured cheque faces.

It is also supposed to balance deposits automatically and identify illegible amounts and route them to a keyboard operator who can look at the on-screen image of the paperwork concerned and correct it accordingly.

The IBM system has been undergoing extensive trials at big North American banks in recent months and the company expects to start shipping it in December.

Among the institutions involved in these trials were the Royal Bank of Canada, Key Bank, Mellon Bank and the Bank of America.

"Longer term, image [processing technology] has the potential to give the entire industry a higher quality level for its customers," says Mr Gil Arbuckle, a senior vice-president and cheque services manager at Mellon Bank Corporation in Pittsburgh.

According to Mr Bill Gee, manager of the Royal Bank of Canada's item processing services in systems and technology, this kind of technology is vital to his organisation's long-term strategy. "Proof of deposit is our focus today," he says.

"[These systems] allow us to invest in a platform on which we can build new image applications and offer new customer services in the years ahead."

Cost savings and productivity improvements can come from all parts of the cheque-handling process. Most North American banks, for example, send customers back the originals of their processed cheques once they have been deposited through the banking system.

These used cheques are generally sent out with bank statements – and must be physically sorted and enclosed with the bank statements in envelopes with which they are sent out.

Using image-processing, an electronic image of the cheques can be stored with the bank statement information and printed out along with the bank statement when it is prepared.

Image processing also offers the US banking industry other gains – helping them to handle all manner of paperwork without paper. It could be used to handle mortgage loan processing, credit card billing inquiries, commercial lending, mutual funds management, trust management and letters of credit.

The beauty of this technology is that it offers banks a "halfway house" between entirely automated, paperless operation – which many customers are still not entirely comfortable with – and the inefficient, over-staffed, paper-laden systems of old.

When using image processing systems, paper still plays a vital role in getting information about financial transactions to the banks. But once a paper document arrives at the bank, it immediately becomes a computer image that can be passed around the corner or around the world electronically in an instant.

This not only means that the banks have greater flexibility in how they handle documents, it also means that the work represented by those documents need not necessarily be handled at the place where the documents are physically stored.

If one branch or department is over-burdened with financial documents to process, another can help out by having the electronic image of those documents sent over a wide area network or leased line. The work can then be completed by the other department and sent back to the place it came from.

Finally, image processing could make life a lot easier for bank customers. If, for example, a bank held a sample signature, a colour photograph or even a spoken voice sample as part of its worldwide database, any customer from any of that bank's branches worldwide could prove who they were easily and carry out more complex transactions than would normally be allowed from a foreign branch office.

Such a system also improves security for the bank – as it is much harder to forge a face, voice and signature than it is to forge the signature by itself.

Geof Wheelwright

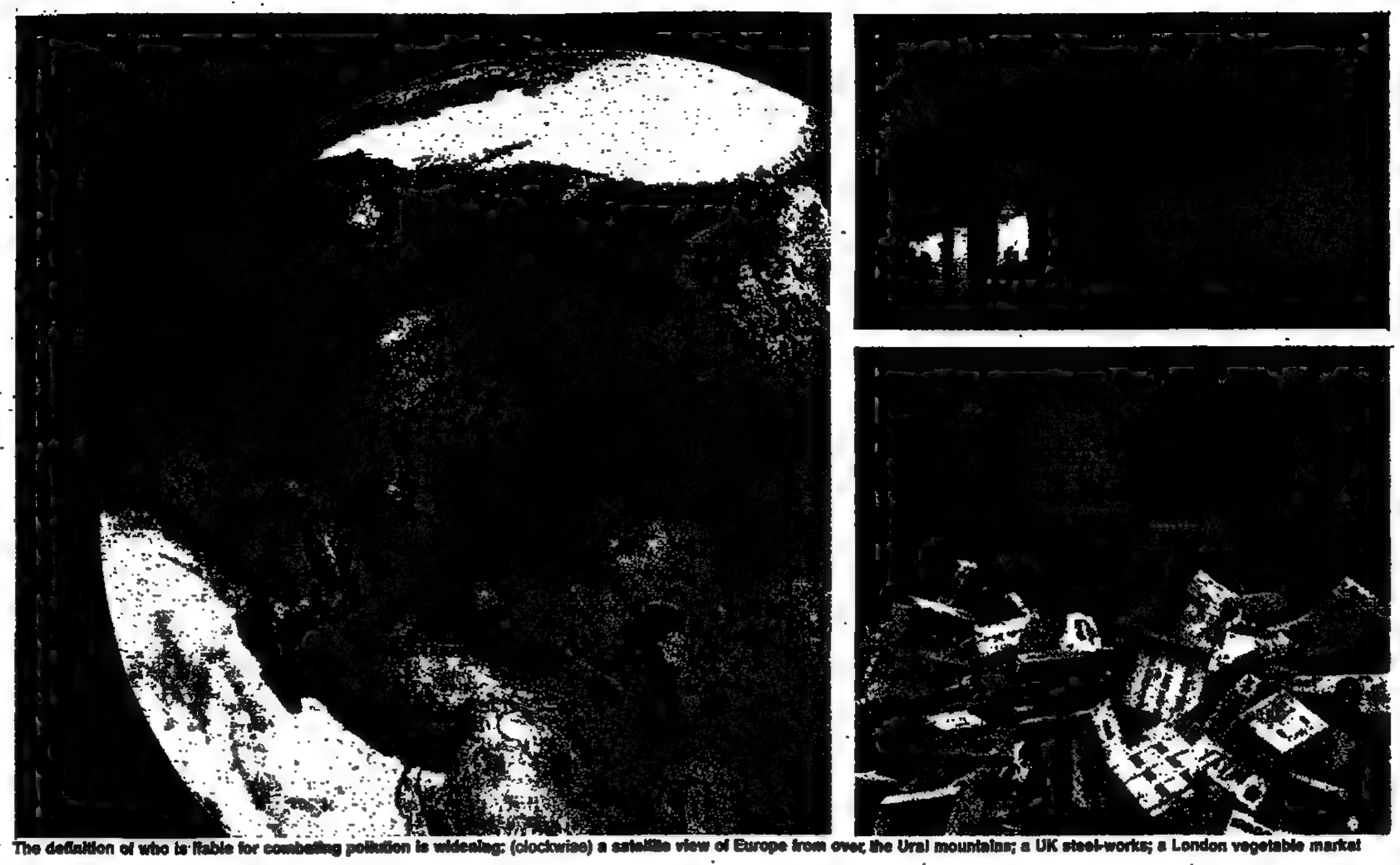
FINANCIAL TIMES SURVEY

ENVIRONMENTAL MANAGEMENT

SECTION IV · Tuesday November 10 1992

Growing acceptance of the need for environmental policies has lowered the tensions between "green" campaigners and industry. Public attention now focuses more on compliance with new regulations. **Bronwen Maddox** reports

A torrent of legislation



The definition of who is liable for combating pollution is widening: (clockwise) a satellite view of Europe from over the Ural mountains; a UK steel-works; a London vegetable market

PRESSURE on industry to improve its environmental performance is entering a new phase. In the past two decades, in response to growing public interest in "green" issues, the US and the European Community have passed at an unprecedented rate a raft of new regulations ordering businesses to clean up the environment.

The broad acceptance of the need for environmental policy by governments and businesses has taken some of the heat out of the traditional confrontations between "green" pressure groups and industry, and public attention is now focusing more on compliance with the new rules. For their part, businesses are increasingly investigating whether environmental improvements could prove to be a commercial opportunity as well as a cost.

The scope of environmental regulation now in place or shortly to be passed, ranging from local to international, is now considerable and is the main factor causing companies to pay more attention to the environment, according to consultants' surveys.

The number of international agreements has risen sharply: between 1948 and 1970, governments signed only nine international treaties, mainly on oil pollution, but since 1970 there have been 32 international treaties and 13 European Conventions, according to consultants Booz Allen & Hamilton.

The definitions of who is liable for the costs of cleaning up are also widening. Under the "polluter pays" principle accepted internationally at the Rio Earth Summit in June, many environmental costs are now being passed back to companies. The EC is currently discussing new rules on civil liability for waste which could be as wideranging as some US legislation, imposing strict liability – regardless of fault or negligence – and joint and several liability, meaning that the "deepest pockets" could shoulder most of the costs.

Like the UK's proposed contaminated land register these rules could act retrospectively, saddling companies with costs for environmental damage committed many years in the past, even if the present owners or management were not responsible.

There is a growing emphasis on improving levels of compliance with regulation – the European Commission has acknowledged that its failure to enforce its 200-odd directives equally across member countries could hinder the operation of the single market, and EC countries last week agreed to set up a European network of inspectors.

Penalties for infringement are also becoming harsher. The UK's 1990 Environmental Protection Act holds the producer of waste legally responsible for its safe handling and disposal, and breach of the rules can result in criminal charges against the senior management.

The scope of this regulation, and the competitive changes it is provoking in many industries, means that more companies are beginning to make environmental management part of their overall management strategy. To avoid penalties – and the accompanying risk of damaging publicity – and to avoid being left behind by competitors, companies may need to scrutinise their production from "cradle to grave": the source of raw materials, the impact of the factory on its surroundings, the amount and type of energy consumed, the effluents poured down pipes or on to the ground, emissions through the chimneys and the final disposal of waste. That is before considering whether the product itself is "green" enough or whether customers will demand changes.

To encourage companies to look at environmental management systematically, the EC is discussing plans for ecoauditing – full, published, standardised figures on a company's impact on the environment – and the UK has begun trials of the new BS7750 standard of environmental management.

However, while many companies' intentions are good, in practice environmental management can be patchy. KPMG Management Consulting, an arm of the international accountancy firm, which recently conducted a survey of environmental management in the top 100 companies in the UK, US and Canada, concluded that "most comments [in annual reports] were token efforts demonstrating that the company was aware of the environment as an issue and [gave] some broad promises of future actions".

It added that "in all three countries very few companies had used external consultants to conduct an independent environmental audit".

Unsurprisingly, formal environmental policies are most common in industries such as national utilities, oil and gas and chemicals which have been environmentally regulated for longest, while tourism and motor companies are only just beginning to publish plans, and financial services companies rarely mention the issues, according to a June 1991 survey by Touche Ross, the accountancy and consultancy firm.

For some companies, environmental management can bring commercial opportunities, as well as safety from penalties.The Confederation of British Industry, in its response to the Rio Earth Summit in June, has been adamant that there are "real benefits to the business of sound environmental performance".

Investment in "green technology" ahead of competitors can bring a competitive advantage, as seen in the race between US oil companies to reformulate petrol and diesel to meet the US Clean Air Act deadlines of 1994-98, and the research spending of motor companies on catalytic converters and "lean-burn" engines to reduce emissions.

Other companies find that the best way of reducing the level of waste, emissions and discharges is to use raw materials and energy more efficiently in production, leading to lower costs.

A booming waste management industry has also grown up to take advantage of the rising costs of getting rid of waste, as it becomes harder to get regulatory permission for emissions or discharges from factories, or to open new landfills and incinerators.

IN THIS SURVEY

But although some of the army of consultants and advisers appear to regard it as axiomatic that investment in environmental management leads to a competitive advantage, that is not true in all cases. In the UK water industry, EC directives have resulted in at least £15bn of the decade-long capital spending programme of some £45bn, but as the companies are regional companies it is hard to argue they have gained revenue.

The CBI has also suggested that some environmental legislation has been "unrealistic" and a handicap to businesses, not an opportunity.

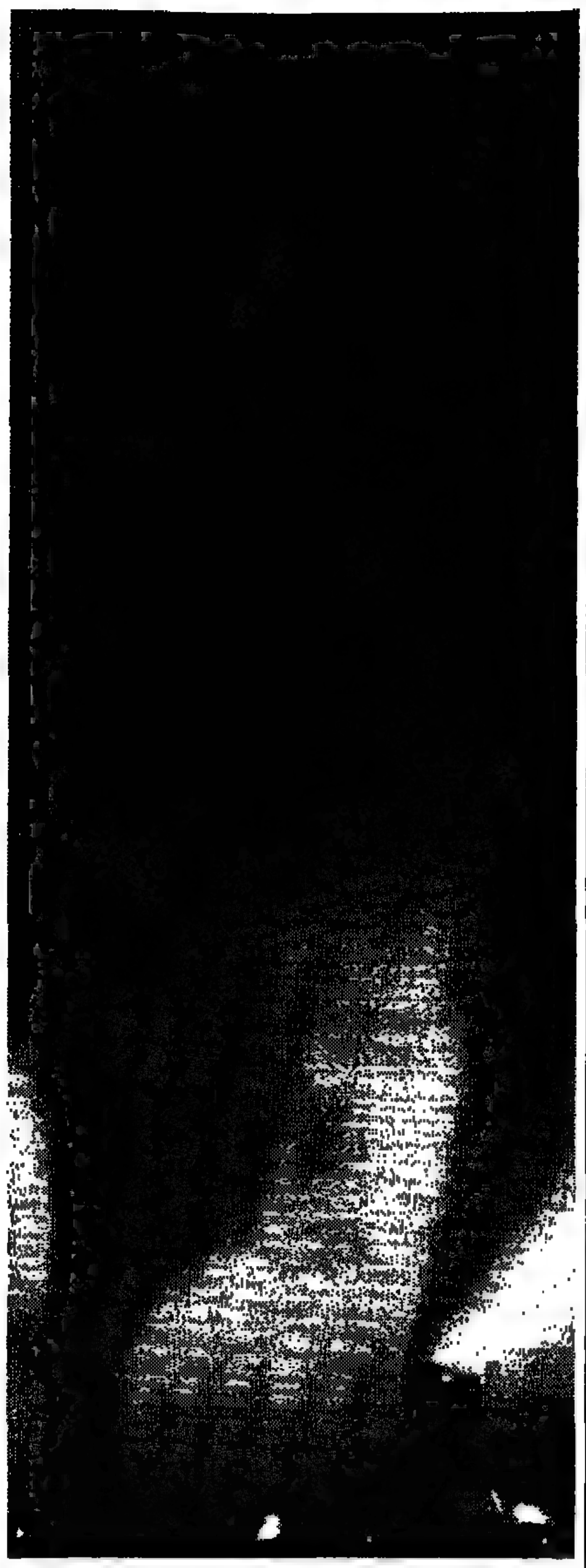
Mr Paul Beatley, a Paris-based consultant with Booz Allen & Hamilton, says that it is right at least to ask whether environmental programmes really benefit companies in the long run, despite the costs, although adding that in his experience they do.

However, the question of the benefits of environmental spending is one that is asked increasingly frequently – as the full costs of cleaning up the environment have started to become clear.

The European Commission estimates that complying with directives – excluding the considerable costs of the nuclear power industry and water supply – costs member countries between 1 per cent and 2 per

□ Contd on Page 2, column 1

ENVIRONMENTAL MANAGEMENT 2



This amateur photographer's view of the US Fermi nuclear power station won a bronze medal in a UN-sponsored competition in May

Mucking Flats, Essex, where Cory Environmental buries more than 1m tonnes of waste a year, half of it brought along the Thames in containers

UK landfillers face a tougher regime, writes **Richard Gourlay**

Down in the dumps

THE UK waste management industry will pass a watershed next March when disposal operators must decide whether to continue running their landfill sites.

Those who prefer to surrender their licences will be able to avoid liability for any environmental problems that subsequently surface; those who don't, will be held responsible for a site until the end of its life or until it is sold.

The new rules, which flow from the 1990 Environmental Protection Act, should weed out the cowboy operators. Not only will this begin to clean up the image of an industry that has long been tarnished by disreputable operators – in theory, it should also reduce capacity, giving a shot in the arm to a sector that has fallen dramatically in investors' esteem.

For quoted companies this respite from the effects of recession comes not a moment too soon.

Having gone into the economic downturn with observers saying they would be recession proof (since there would always be a need to dispose of rubbish) many waste companies have reached this point in the cycle suffering from a severe mauling.

Not only has the recession reduced the amount of industrial and household refuse, but many companies have chosen to store rather than dispose of the more expensive low volume, high value wastes, in order to conserve cash. And, perhaps as a result, the downturn in volumes has exposed over-ambitious and weak managements which moved too quickly in the late 1980s to acquire assets.

In particular, the waste sector underestimated the depths to which the construction industry could sink in the UK, depriving companies of their bread and butter business.

The malaise in the sector was typified by the profits warning from Leigh Interests in September. The shares which had been standing at 226p, have since fallen to 140p in spite of a claim by the chairman that second half profits would be substantially ahead of the first half.

Likewise Caird Group, one of the more acquisitive groups in the late 1980s, suffered from a sharp increase in interest in its first half and has found trading conditions tougher since the interims.

What is more, there has been an almost complete freeze in corporate activity in the UK. Tarmac, for example, has had no joy finding a buyer for its Econowaste subsidiary at £85m-£90m. It has already passed a target date when it wanted to have sold the subsidiary and may have to accept a much lower price.

The industry is anxiously awaiting the sale as a signal about latest valuations of landfill. The one exception is Waste Management International, the UK quoted arm of Waste Management of the US, which has been quietly buying companies in Europe, particularly in Scandinavia.

Like many City fads, however, the hype surrounding waste management companies was overdone when the sector was in favour.

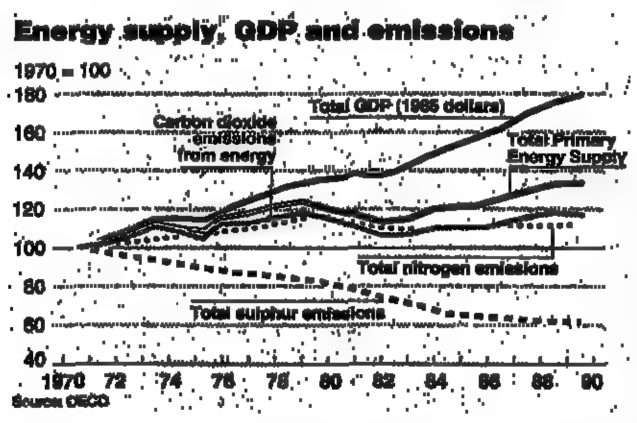
By the same token, the gloom now hanging over the sector may appear more impenetrable than it really is. Grounds for optimism include:

- the environmental legislation: over the next five years laws in Europe will inexorably tighten. They are already tightening in the UK as a result of the 1990 EPA; France has enacted a new comprehensive waste law which is likely to lead to the closure of 6,500 landfills; Italy is likely to put its first comprehensive waste law before parliament next year and will receive valuable support with the return to Rome of Mr Carlo Ripa di Meana, the former environment commissioner; Germany's rules are already in place.
- the new legislation from the Environmental Protection Agency is starting to bite, even though the UK EPA's birth was delayed. It has already increased the cost of disposal, particularly of the most toxic industrial wastes, and is reducing competition. Again, while some confusion exists over the requirements of European Community regulations and those arising from national and even local government regulators, the trend is clearly in the direction of favouring the supplier of high class services.
- the UK government's urgent wish for control of waste to pass into the hands of the private sector. While many local authorities may be better placed than outsiders to tender for business, there is nevertheless a strong move towards more basic waste management passing into private hands
- the duty of care for waste which has already started to play into the hands of reputable operators. Companies producing waste are now responsible for ensuring that a licensed carrier handles his waste and that it ends up in a licensed landfill site.
- some of the enthusiasm for waste companies sprang from the expectation of higher landfill prices. Undoubtedly they will rise – the cost of disposal in the UK is a sixth of the cost in Germany. The question is when. Some observers say the UK disposal is cheaper than in continental Europe because we still allow co-disposal of liquids and solid waste, the so-called practice of dilute and disperse. A more accurate assessment would, however, suggest the UK is cheaper because it still has a large amount of licensed landfill.

There are, however, some equally strong reasons for short-term pessimism about the future of the waste sector:

- some fund managers would not touch waste companies, even the most reputable, because of a fear of environmental liability;
- the cost of making new landfill is rising sharply. The application process is becoming longer and since lastApril new sites have had to ensure that proper precautions are taken to control liquid leaching and gas emission. This inevitably puts new operators – or operators of new sites – at a disadvantage compared with operators of older sites who do not need to recover the same investment costs. Some observers of the waste industry believe it could be five years before operators of old and new sites are competing on a level playing field.

While the waste sector seems to be bound to resume growth, investors will need a long term view.



Carbon taxes aired for global warming

☐ Continued from Page 1

cent of GDP a year. In its June 1991 study Touche Ross said that on the basis of 150 environmental audits, European companies were spending around 4 per cent of turnover on environmental measures. This appeared to be nearly double US figures, although it emphasised that comparison is hard.

There are signs that growing awareness of the costs is slowing the pace of new legislation – the US currently has a moratorium on new environmental legislation, and EC countries are stressing the need for more realism about the economic impact of proposals.

Governments are also favouring "financial instruments" such as taxes or permits for industrial emissions instead of more regulation for dealing with environmental problems. At the Rio Earth Summit in June, the main solution proposed to the threat of global warming from the emission of "greenhouse gases" such as carbon dioxide was energy or carbon taxes, possibly combined with taxes on vehicles.

The costs of a carbon tax would undeniably be great, even if it was made fiscally neutral by lowering other taxes – the European Commission estimates that it could cut 0.07 per cent off EC real GDP growth in the first 13 years after introduction. But the advantages of financial instruments – both for governments and for businesses – are that the costs are more readily foreseen and their investment can be better planned.

The new mood of realism about the costs and limitations of environmental regulation may well benefit the environment, as standards of industrial compliance rise. It may also help environmental management progress further from present standards, as businesses become better able to judge the impact of environmental regulation on their markets and to spot opportunities and shape their strategies accordingly.

Environmental audits are big business, says **Andrew Jack**

Accountants cash in

AMIDST much kicking and shoving, environmental consultants are jostling for the fast-growing but increasingly competitive green market.

As insults are traded about the ability of individuals and companies to carry out the best job, the industry is still trying to make clear its definitions and lay down standards in response to concerns over the quality of service being delivered.

In the meantime, business is coming under increasing public, political and legislative pressure to pay serious attention to environmental auditing, with mixed results.

Environmental audits have become big business. The latest edition of the directory of environmental consultants published tomorrow by Environmental Data Services (Ends), based in London, says the total market for consultancy in the UK was about £400m this year.

That was generated by 339 mainstream firms, representing 9,000 professional staff working on 19,000 separate contracts. More than 1,200 of these contracts – or 6.4 per cent – covered environmental auditing alone.

It is difficult to draw comparisons with the past because much of the data is being collected for the first time. But the growth has been rapid. There were only 125 environmental consultants in the first edition of the directory in 1989, and 225 in the 1990 version. Most firms are expecting business to escalate rapidly.

That growth, particularly at a time of recession, is encouraging many new entrants. Ends estimates that more than 1,000 firms claim to be environmental consultants of sorts. Alongside the traditional players such as Arthur D Little, a host of boutiques have sprung up. At least three of the leading accountancy firms – KPMG Peat Marwick, Touche Ross, Coopers & Lybrand – have established special units.

That has led to some barbed comments between the competition: What is the quality of the smaller firms? Do the accountants have the appropriate skills? Are the non-accountants too focused on technical rather than managerial and rigorous sampling aspects of the audit?

There is still also ambivalence about future growth in the consulting industry. Demand for services is not without its difficulties. While contracts may prove lucrative in the short-term, auditors may in the future run the risk of being sued if they fail to unearth or highlight the significance of potential environmental liabilities such as site clean-up costs forced on their clients at great expense.

Yet this competition has to be put in perspective. Most companies still do not have environmental audits. Companies who audit tend to do it irregularly, on only parts of their operations, and entrust the job to in-house staff. When audits do take place, very few of the findings make it into the public domain where they could be more objectively scrutinised.

There are exceptions. The chemical industry and some of the other sectors often regarded as more environmentally harmful have long conducted audits of sorts, not only to ensure compliance with regulations but for solid commercial reasons: recycling saves vast amounts of money.

More recently, public pressure, good practice guidelines and existing and prospective legislation has begun to have a more wide-ranging impact. The 100 Group of leading finance directors produced one set of guidelines earlier this year.

BS7750, the British standard on environmental management systems, is perhaps the document most widely quoted by companies. Among its recommendations is that businesses should produce a publicly available environmental policy, specify targets and conduct regular internal environmental audits.

Many point with some concern to the EC's eco-audit requirements, which most companies still regard suspiciously even after intensive lobbying to dilute their power. When initially proposed in 1990, the eco-audit was to be a mandatory scrutiny of environmental facets of all activities in many industries, which would culminate in publication of the results.

Over time, it has been diluted so that compliance is entirely voluntary, and need not cover all a company's site. There is still the requirement for external verification of audits, and the corporate fear that the proposals will ultimately become mandatory.

In the meantime, the level of disclosure and reliability of environmental reports remains disappointing. A survey in September by Company Reporting, an Edinburgh-based organisation that monitors the annual accounts of UK companies, concluded that most green information provided is disappointingly thin.

From a sample of 570 companies, only one third disclosed any environmental information.

There are some notable exceptions. Body Shop has probably gone further than most British companies, with a detailed audit. The company has also publicly called for the eco-audit requirement to be made compulsory. Even so, its verification report conducted by Arthur D Little is limited in scope. Most other companies are far less advanced.

RTZ is one company which proudly highlights its environmental achievements with a published statement on green policies. But it sees little prospect of making public the results of internal audits in the short-term. It also questions the ability of external auditors to do better than its own staff, or to be told how often audits should be conducted.

Advisers must be chosen with care, says **Bronwen Maddox**

A multi-disciplinary field

THE managing director in search of an environmental policy deserves some sympathy. Changing legislation, pressure from customers and from public opinion, and the company's own plans to expand – all these can suddenly put environmental management high in the board's priorities.

Once environmental questions have caught the board's attention, the problems can seem worrying and urgent. Breaches of pollution regulation can bring high penalties, sometimes the threat of criminal proceedings against directors, and perhaps worst of all, hard-to-tackle hostility from public and pressure groups. Or long-planned acquisitions can be suddenly jeopardised by uncertainty about the liabilities they might bring.

However, recognising a need for environmental planning is not the same as knowing how to go about it. The European eco-auditing proposals and the British standard BS7750 of environmental management offer some guidance to adopting a management system, but generalisation is hard as regulation, the risk of environmental disaster and competitive pressures vary enormously between industries.

However, it is possible to give a few tips on the main questions to ask when setting up an environmental strategy, whether with outside help or not.

First, how to pick an adviser. Many companies will lack in-house expertise on regulation or "green" technology, or energy efficiency measures, but reaching for outside advice is now straightforward.

Although environmental management is a new discipline, particularly in Europe, it has already spawned a horde of consultants, accountants, lawyers and bankers. UK industry directories alone list more than 2,000 consultants. Many advisers say they have identified environmental management and risk assessment as areas of fast expansion in the 1990s, perhaps compensating them for the shrunken financial and conveyancing markets.

According to Mr Allan Rickmann, head of the environmental arm of Willis Corroon, the insurance broker, it is essential because of the subject's newness to find out the relevant experience of the company and the directors.

Relevant experience is important – many are just beginning to build up client lists and the learning curve can be frustrating. Their expertise may well have been drawn from one of several categories:

- Skill in helping win local planning permission for new sites or production processes, which often depends on detailed plans for leaving surrounding areas – down to the last species of grass – in good condition.
- Scientific research, sometimes in government departments, which may have equipped them with highly specialised technical skills that may translate poorly to the wider industrial arena.
- Legal expertise. Many law firms have moved quickly to offer advice on the possible liability that could come with changes in legislation, such as the EC packaging directives, the UK's proposed register of contaminated land, legal requirements for Environmental Impact Assessments, or EC proposals on civil liability for waste.
- Engineering. Information about their previous clients in similar industries, particularly abroad, is important, as techniques change fast, both to comply with rules and to seize commercial opportunities from them. Companies in the US, with around a decade longer exposure to wide-ranging environmental legislation, may have already pinpointed the best techniques.
- Management consultancy. It is important to identify whether they have the legal or technical skills to solve specific problems, or whether they are more equipped to conduct an overall survey of production.

A large part of environmental management is about assessing risks and minimising them, such as the risk of a tank rupturing, inadequate backup or warning systems that could lead to leakages or uncontrolled emissions. Even if managers think they are complying fully with rules, they need to be alert to outside sentiment – public criticism of a competitor and heightened public scrutiny of the industry, or simply whether a government minister lives nearby.

Many advisers, particularly management consultants, urge a more wide-ranging approach to environmental management than simple compliance with regulation, however. Their mantras have become "thinking proactively" and "communicating the environmental strategy through all levels of the company".

The arguments are similar to the now-familiar ones on the importance of high quality at every stage of production and distribution. Many of the benefits that companies and consultants say have been achieved from environmental management systems derive from improvements in efficiency and production of less waste, or from improvements to the product.

But it is important to calculate the benefits as well as the cost to the company of investment in environmental techniques. Another principle much favoured by consultants is that "it is cheaper to rethink production overall and reduce the level of emissions rather than to add end-of-pipe filters or scrubbers to clean up" are useful starting points for inquiry but that comparison will be different for every company.

If there is one consolation for the troubled managing director it is that environmental management is likely to become easier even if the penalties for getting it wrong increase.

Tighter rules give insurers a headache, writes **Richard Lapper**

Unexploded bombs

BRITISH INSURERS are reappraising the potential dangers of claims for environmental pollution in the light of shifts in the legal situation at home and the experience of the US industry, where large chunks of the insurance industry could be brought to the brink of insolvency by multi-billion dollar claims.

But the change may be too little and too late according to critics who suggest pollution claims could be catastrophic for the UK industry.

The exposure of UK insurers to pollution is principally through public liability policies, which cover the policyholder against any damage a third party might suffer because of pollution which results from his actions. Historically insurers have faced very few pollution claims. Philip Bell, liability insurance manager with Sun Alliance, which sells 15 to 20 per cent of public liability policies, says his company receives fewer than 100 a year.

Although Sun Alliance has "a couple of million pound claims in the pipeline" most claims are very much smaller. "The sort of thing that normally happens is that a chimney will belch out dust which will damage cars in an adjacent car park," says Mr Bell.

However, the establishment of a more rigorous regime of pollution control and remediation in the UK is a cause for concern. In the past two years a raft of new legislation has radically redefined the liabilities faced by operators and owners of polluted sites.

Public liability policies cover holders against damage caused by their actions to third parties

The 1990 Environmental Protection Act and 1991 Water Resources Act establish a legal framework in which the occupiers of a site are liable for the cost of clean-up irrespective of fault. Under this legislation bankers foreclosing on a loan to a property company could become liable for the cost of cleaning up contamination.

In a recent case Leeds City Council ordered more than 600 householders to pay the £5m bill needed to clean up asbestos contamination from their houses, even though this had been caused by an asbestos factory which closed in 1958. Moves by the European Community are expected to reinforce this trend towards strict liability.

UK government plans to make more information about pollution available to the public through the register of contaminated land could also trigger court actions. The value of land identified as contaminated on the register is likely to fall. Mr Brian Street, a specialist with ECS Underwriting in London, says the new law will "greatly increase the power of pressure groups to bring civil proceedings. It will cause all hell to let loose."

In the face of these threats British insurers moved to restrict coverage last April. After advice from the Association of British Insurers, most companies changed the wordings of public liability policies to exclude coverage for gradual pollution. The new policies restrict coverage to "a sudden, identifiable, unintended and unexpected incident which takes place in its entirety at a specific time and place during the period of insurance".

Even so, insurers are still liable for claims made on policies written in the past. Most policies were written on what insurers call an "occurrence" wording in which the relevant policy for a claim is the one which covers the year when the event occurred. US courts have also ruled that policyholders can claim on all their insurance policies stretching back to the original point at which pollution is deemed to have begun. Much of the multi-billion bill for US pollution clean-up, therefore, could ultimately fall on insurance companies who sold policies in the 1940s, 1950s and 1960s.

Mr Randolph Fields, a lawyer who has developed a thriving business in researching insurance coverages, is confident he can locate the coverage. Recalling that the UK industry underwrote unrestricted pollution liability coverage in "carte blanche" fashion between 1930 and 1990, he warned of liabilities of "catastrophic proportions".

British insurers tend to minimise the problem. In a memo to its members sent on October 13, the liability and accident committee of the Association of British Insurers, the industry's trade association, described Mr Fields' arguments as "somewhat alarmist".

The ABI said it could "prove difficult" for the policyholder to provide proof that insurance was in force at the particular time the incident was alleged to have taken place.

"Neither insurers nor policyholders might have kept documentation for the full period in question," added the ABI.

Another worrying possibility is that British courts might begin to interpret the wordings of public liability policies in a broader way than insurers originally intended. In the US, for example, most legal opinions have ruled that clean-ups ordered by the Environmental Protection Agency under the so-called Superfund legislation constitute insured damages under the terms of comprehensive general liability policies. Insurers can be presented with cost of environmental clean-up.

Leeds householders had to pay £5m for damage caused by an asbestos plant shut in 1953

"I can't see a UK court going out of its way to interpret the policies totally against the written word," says Mr Philip Bell, liability manager of Sun Alliance. Mr Bell dismisses the possibility that UK courts may interpret the wordings of public liability policies so that they cover the cost of ordered clean-up of contaminated sites from public liability policies.

Certainly insurers who now offer pollution cover are taking no chances. A handful of insurers, including American International Group, Zurich Insurance, the Chemical Industries Association and ECS Underwriting, offer insurance against the risk of gradual pollution. ECS last month introduced a policy to include the recovery of costs for the clean-up of an operator's own site.

Underwriting is highly selective. Claims must be made within the period of the policy. But all the companies make the policies dependent on the implementation of an environmental audit of the site to be insured. Subsequently policyholders are obliged to maintain a rigorous system of risk control and prevention.

John Thornhill studies Europe's waste mountain

Dilemmas of the overloaded dustbin

THE peoples of the European Community emptied 50m tonnes of rubbish into their dustbins last year. Although this represents a mere fraction of the waste created by industry, the public is far more aware of it because it is on the doorstep.

Over the past few years politicians have responded to the clamours of the increasingly vocal environmental lobby by introducing laws to limit the amount of waste produced, or at least encourage its re-use and recycling.

But the problem all legislators face is a simple one: what gets thrown away is not worth very much. If it were otherwise it would be unlikely to be thrown away in the first place.

In order to reduce the amount of domestic waste governments are therefore faced with a choice. Either they mandate industrial companies and local authorities to collect and re-use the material; or they rely on tweaking market mechanisms to increase the inherent value of waste and thereby stimulate its re-use. This could be done, for example, by raising the cost of landfill sites to encourage more recycling or imposing duties or levies on packages.

The problems created by these two approaches are common to all debates about the virtues of economic regulation versus free-market liberalism.

The first approach – most aggressively pursued in Germany through the introduction of its *Duales System Deutschland* (DSD) – has led to industry collecting a vast mountain of waste without having the capacity to reprocess it. This has created an environmental perversity whereby large quantities of waste have been expensively collected and exported – either being dumped in other countries' landfill sites or seeping on to foreign markets at zero cost destroying the fragile economics of indigenous recycling schemes.

The supporters of the DSD argue that such distortions are only likely to be a temporary phenomenon. If a steady source of supply is created demand will inevitably follow, they argue. In some areas the effects of this argument are bearing fruit: four giant paper mills are already under construction in Germany to soak up the glut of waste paper.

But the DSD's critics argue that such approaches are only likely to lead to a "second Common Agricultural Policy". Production will be stimulated while demand is ignored at enormous economic – and environmental – cost to Europe's consumers.

Yet the obstacles created when waste management is left entirely to the free market can prove insurmountable and can be illustrated by the difficulties faced by the polystyrene food packaging recycling plant officially opened in July by Linpac, the UK plastics group.

Mr David Eggleston, Linpac's environmental manager, says such plants are vital if the UK is to increase its rate of recycling but their existence is crucially dependent on the government introducing market-based incentives. The plant, which has the capacity to recycle 2,000 to 2,500 tonnes of waste a year, is testing the technical and commercial viability of recycling plastic containers but in the existing market conditions it is uneconomic.

The government "must encourage the consumption of recycled materials of all kinds at prices which make recycling economically viable," he says.

The UK government has hesitated in introducing sweeping environmental initiatives, waiting for the European Commission to finalise the details of its directive on the avoidance of packaging waste.

This summer, the EC published its far-reaching proposals aimed at harmonising environmental laws across the Continent. However, it is likely that it will take another two years before its modified principles become enshrined in national laws.

Its hierarchy of preferred solutions is: minimisation of the packaging used in particular products, followed by recovery and recycling, with final disposal in landfill sites remaining as a last resort.

A bottle bank in the London borough of Brent: recycling of used packaging is now a political issue

The directive sets a stiff target that within 10 years of implementation 90 per cent of all packaging waste by weight should be removed before it reaches the waste stream with 60 per cent of each packaging material being recycled.

It expects that within five years of implementation the member states will have set up appropriate systems to collect packaging waste from the consumer, enabling them to ensure that it is effectively re-used or "recovered".

Perhaps inevitably, the directive has come under fire both from industry, which argues that some of its provisions are too onerous, and environmentalists, who argue that they are too lax.

Suggestions for limiting the average amount of waste produced by each person in the EC which appeared in early drafts of the directive were dropped by the time the final version was published – much to the chagrin of groups such as Greenpeace.

The environmental group argues that the prevention priorities have effectively been "lobbied away" by industry with disposal becoming the main focus of legislative activity. "The net result today is that the waste management hierarchy has been turned upside down," it says.

But at the heart of the debate on packaging waste is a fundamental and irreconcilable difference between the industry and environmental campaigners. Companies want to sell more packaging; environmentalists want them to sell less.

In a free market economy, packaging companies cannot be expected voluntarily to contribute to a lessening of demand for the products on which their prosperity depends. Conversely, however, they clearly appreciate both the economic and environmental sense of reducing the amount of material they use to the minimum.

The clearest instance of this conflict is apparent in discussions concerning refillable containers. For many years, environmental campaigning groups, such as Friends of the Earth, have campaigned to promote the use of packages which can be re-used and refilled.

But although many of these schemes make clear sense in an ideal world, industry argues that they often do not conform to contradictory consumer desires in the real one. So, for example, although many shoppers profess to care about the environment, they are unlikely to appreciate queuing in a busy supermarket to refill milk bottles from a "steel cow" dispenser – even assuming high standards of hygiene could be guaranteed.

Ultimately it will be the shopper who will decide environmental priorities by assessing the relative attractions and costs of particular forms of packaging when buying a product.

Abandoned containers at a Welsh chemicals plant — the industry is blamed for most of the world's environmental difficulties

Chemicals must fight to clear their name, says **Paul Abrahams**

Clouds of suspicion

THE CHEMICALS industry is not loved. Spectacular accidents and continuing attacks by environmentalists have knocked the sector's reputation. If the industry fails to respond to environmental pressure, both in performance and public relations, it risks being legislated to extinction, at least in populated areas of the developed world.

"The chemical industry is blamed for most of the world's environmental difficulties. It has most to gain and farthest to go," says Mr David Buzzelli, corporate director for environment, health, and safety at Dow Chemical.

Chemical companies have some real environmental problems and some problems of public perception, argues Mr Michael Eckstut at management consultants, Booz-Allen. The problem is that the perception is reality. The industry must recognise both, he says.

The industry certainly has an image problem. Unfavourable opinions in the US about the chemicals sector increased between 1980 and 1990 from 40 per cent to 58 per cent, according to Mr Roger Hirl, president and chief executive officer of the Occidental Chemical Corporation. Meanwhile, favourable opinions slumped from 30 per cent to 14 per cent.

Mr Hirl told the International Council of Chemical Associations' conference this year: "We have many of the most energy-efficient, highest technology and environmentally sound facilities in the world. But we ignored the shift taking place in what people were thinking about the industry. We failed to see ourselves through the eyes of the public."

The image of the industry is important because it affects its freedom to operate. Companies are concerned that environmental legislation – not always necessarily justified – may threaten companies ability to compete.

"Failure to improve both performance and image will be very expensive," says Mr Buzzelli at Dow Chemical. "Planning approvals for investment will be refused, making sites uneconomic so the companies themselves close the factories. Plants will be driven further from employees and markets, adding further costs."

The chemicals sector could follow the nuclear industry and be legislated to the point of economic unviability, warns Mr Ernie Deavenport, president of Eastman Chemical Company.

If manufacturers fail to meet the requirements, they could be legislated to extinction

Already, the three chemicals giants, BASF, Bayer and Hoechst, are warning that the cost of domestic environmental legislation threatens to cripple the German industry by reducing competitiveness.

The chemical industry has recognised it cannot improve its environmental image until companies have improved their environmental performance. It is trying to clean up its act. In 1988, the US Chemical Manufacturers' Association set up a programme in the US called responsible care. The initiative, originally invented by the Canadian industry, now involves 175 US companies.

Responsible care calls for chemical companies to "demonstrate their commitment to improvement of all aspects of their performance which relates to health, safety and the environment".

"We've moved from a period of denial to a period of dialogue. The next stage is to deliver on our promises," says Mr Hirl.

"This is not a public relations programme, a PR solution to a PR problem. Responsible care is nothing less than a cultural revolution for the way we are going to do things in our industry." Companies, many for the first time, are now trying to measure their emissions' effect on air, land and water. German companies have been doing this for some time, but British and French groups are now joining in.

Chris Hampson, executive director at ICI with responsibility for the environment, says the need for measurement is vital, so that improvement can actually be demonstrated.

This year, Imperial Chemicals Industries, BP Chemicals and Rhône-Poulenc all published their emissions for the first time. The formats were not always similar, and there were omissions in parts of the data, but it was a brave step in the right direction.

The groups have also publicly set targets for themselves. ICI plans to reduce its wastes by 50 per cent by 1995. Rhône-Poulenc has promised to halve its effluent and solid wastes by 1995 and and cut them by 65 per cent by the year 2000. BP Chemicals has promised to slash hydrocarbon air emissions by half and water emissions by two-thirds by 1997. And Dow Chemical in Europe has promised to reduce the emissions of 56 compounds to air and water between 1988 and 1995. Mr Buzzelli at Dow Chemical says such promises are important to avoid government legislation creating time-consuming and expensive regulations that may not be as effective as voluntary measures.

The cultural revolution implied by responsible care comes both from the top of organisations as well as from employees who share the concerns of the general public. Many chemical companies now have board members responsible for health, safety and the environment.

Since 1973, BASF has eliminated 95 per cent of its effluent in the River Rhine

However, in spite of the rhetoric, implementation is not always easy. Mr Mike LaGraff, BP Chemicals' manager for health, safety and the environment, explains:

"Not everyone in this company is in favour of reducing emissions. There are manufacturing guys who prefer to keep costs low. They still exist. Bob Horton, our previous chairman, said 25 per cent of employees did not believe what we were saying about the environment. But we are working on them with internal and external pressures."

Much has already been achieved by the industry. BASF of Germany, for example, claims it has reduced its effluent load into the Rhine by 95 per cent since 1973. Air emissions are down between 80 and 85 per cent during the same period.

But can the industry afford to continue to invest, particularly during a recession when all chemicals groups' earnings are suffering? Improvements do not come cheap. BASF spent D-Mark 500m between 1988 and 1992 on capital projects to reduce pollution, according to Dr Wolfgang Jentzsch, BASF deputy chairman.

The group plans to spend D-Mark 900m between 1990 and 1994 on environmental capital projects, while between 1992 and 1996 it will spend as much as D-Mark 1.6bn.

Mr Eckstut at Booz-Allen says companies are recognising that waste management is an opportunity to reduce costs. By reducing waste production in the first place, yield can be improved and disposal costs reduced.

However, the industry is beginning to flinch from the costs of environmentalism. It proves relatively inexpensive to reduce 80 per cent of emissions, says Mr Eckstut. But it can cost substantial sums to reduce the last 10-15 per cent.

Many groups are already spending 20 to 30 per cent of their capital expenditure on environmental measures.

That, he says, is hard to swallow, especially when capital spending is being slashed. The operating costs of environmental equipment are also high.

"We are swallowing hard right now. Times are tough but we are staying with it," says Mr Buzzelli at Dow Chemical. "We are on track because by not doing it we put our business in peril."

Although the burden of environmental improvement is expensive, the cost of not investing is even more so. The cost of not communicating the improvement effectively could prove terminal. The future success of the industry is dependent upon its credibility with the public.

Foil collected at one of 29 disposal points in Cambridge, England, by the Castle Project charity is sold to the industry for £350 a tonne

Kenneth Gooding on an industry where recycling strengthens the bottom line

Look for a silver lining

A CHEEKY-LOOKING dog examines the bone someone has placed on a fragment of aluminium foil. Our pooch picks up the bone, drops it into a bowl conveniently placed alongside and then sets off with foil in mouth, leaping over household obstacles such as vacuum cleaners and outstretched human legs on its way to the kitchen sink. One paw starts the tap running to clean a trace of blood off the foil and then the dog is off to a garbage container. It drops the foil into the bin which also contains empty aluminium drinks cans.

You've guessed. This is a television commercial. It is the most successful ever run by Reynolds Metals, the biggest producer of aluminium foil in the US.

The message is entertaining but clear. It says the aluminium industry wants its foil back, as long as it is clean; the industry will take back foil for recycling with aluminium cans and pay for the privilege.

Mr Jeremiah Sheehan, Reynolds' executive vice president, consumer and packaging products, admits that it is not as commercially necessary for the industry to recycle foil as beverage cans – in the US only 200m lbs of aluminium is used annually for consumer foil, plus a similar quantity for food and other containers, compared with 4bn lbs used for cans.

Reclamation of foil identifies it as a green product and helps it to compete with plastics

"But recycling helps to identify foil as a 'green' product," he points out. It gives foil an edge over competitive products such as plastics.

Reynolds began by testing foil recycling in 1991 in five US cities: Richmond, its home town in Virginia; Baltimore; Tampa; San Francisco; and Seattle. Already one in 10 households in these test areas is recycling foil regularly. The campaign has been extended this year to cover half the US and in 1993 about 70 per cent of the States will be covered.

And, following the industry dictum that it's best to catch recyclers young, Reynolds has had 2,100 schools competing to build the biggest ball of foil in a "Great Balls of Foil" competition for cash prizes.

Last year Reynolds paid recyclers $128m for about 240,000 tonnes of consumer-generated aluminium (mostly cans). Mr Sheehan says Reynolds' campaign "already has lifted both the foil market and Reynolds' sales."

Across the Atlantic in the UK a similar campaign is about to be mounted.

In the UK nearly 40 per cent of aluminium used in packaging (including beverage cans) goes into foil and about 50,000 tonnes of aluminium foil packaging, worth roughly £15m, is thrown away every year.

To recapture at least some of this, an Aluminium Foil Recycling Campaign (AFRC) has been started by foil converters Alcan Ekco Packaging, Bowater Foil and Paper Products and William Garfield, all members of the Aluminium Foil Container Manufacturers Association, with British Alcan Consumer Products. They plan to establish the first 50 local authority aluminium foil recycling schemes in 1993.

AFRC says that, although foil is as recyclable as aluminium drinks cans, it has different re-melt requirements and needs a different recovery infrastructure. So five pilot schemes are being tested – in Cambridge, Coventry, Leeds, Sheffield and Perth – which will demonstrate to local authorities how foil collection can fit into the different types of recycling schemes commonly run in the UK.

The aim, wherever possible, is to retain the charity benefit tradition of saving clean aluminium foil but to integrate this with efficient recycling practice by joining local authority schemes. Three of the pilot schemes have charities emptying foil "banks" on local authority and supermarket sites, in return for ownership of the foil. Foil is sorted and loosely compacted by the charities and then collected by an existing secondary (scrap) aluminium industry transport system, led by Cookson Aluminium, to be re-melted. The price for foil in this system is currently $350 a tonne.

There is, of course, more to this campaign for the industry than a willingness to contribute to charity. The aluminium foil packaging producers have in mind various pieces of legislation which threaten to have a tremendous impact on the packaging market. For example, the 1990 UK Environment Protection Act required all local authorities to produce recycling plans by August this year saying how they would meet the target of 50 per cent recovery of recyclable materials from the waste stream by the year 2,000.

Making aluminium from scrap requires only 5% of the energy used in the original process

Meanwhile, the European Community, judging by its draft directive on packaging waste, seems likely to set a 60 per cent target for the recovery and handling of all used packaging materials – and the responsibility for achieving this level falls largely on the producer industries.

Apart from helping the producers promote the image of aluminium as a "green" metal, recycled aluminium of any kind provides the industry with cheap raw material. Manufacturing new aluminium takes a great deal of energy – an average-sized, modern primary aluminium smelter consumes as much electricity as a town of 500,000 people – but the metal "stores" that energy. It can take 5 per cent of the original energy to make used aluminium as good as new.

Estimates vary but the industry probably turned 5m tonnes of scrap back into useable aluminium last year. That compares with production of new material totalling about 15m tonnes. Growth in demand for scrap or secondary metal is growing at 5.5 per cent a year or nearly twice the rate for primary metal.

Already as much as 70 per cent of the aluminium used in electrical engineering, building and transport is re-used. Aluminium automotive castings are almost entirely made from scrap metal.

The industry is working hard to get back as many aluminium beverage cans as possible for recycling – more than 63 per cent of cans are recycled in the US while the European average has moved up to 21 per cent and the European industry has set a target of recycling half of all beverage cans by the mid-1990s.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 10 1992

INSIDE

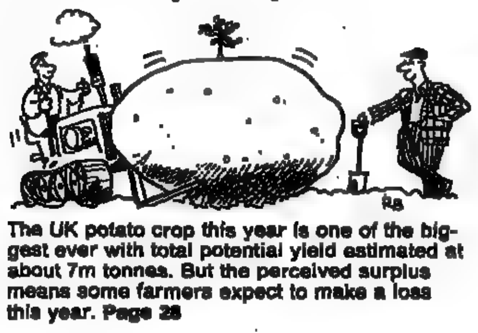
Hyundai looks to Europe for exports

Europe could this year emerge as the biggest foreign market for Hyundai Motor, South Korea's largest carmaker, as sales to the US have slumped. In an attempt to revive exports, Hyundai has expanded its European distribution network during the past three years. In 1988 four European countries sold Hyundai cars; this has increased to 25. Page 21

Italy ponders over aluminium

The long-term future of Alumix, the Italian aluminium producer which is part of the Efim state holding company, put into voluntary liquidation in July, is unclear and many industrialists question why Italy, lacking reserves of bauxite, ever created an aluminium business. Page 28

Paradox of potato profits

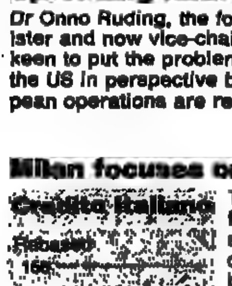


The UK potato crop this year is one of the biggest ever with total potential yield estimated at about 7m tonnes. But the perceived surplus means some farmers expect to make a loss this year. Page 28

Spreading faith in Citicorp

Dr Onno Ruding, the former Dutch finance minister and now vice-chairman of Citicorp, is keen to put the problems of the biggest bank in the US in perspective by pointing out that European operations are resilient. Page 23

Milan focuses on banks



The Milan bourse focused on privatisation stocks yesterday, especially state-controlled banks, bolstered by yesterday's announcement by Iri that it would sell its entire 67 per cent stake in Credito through an international competitive auction. Credito Italiano led the gainers, as it rose L220, or 10 per cent, to L2,430. Back Page

Understanding Morgan Crucible

Morgan Crucible is not the best understood company. With 25 acquisitions in the past six years, even diligent investors can be forgiven for losing sight of what exactly Morgan makes. Now it is about to pay $2.3m to buy assets from Frenchtown Ceramics, which it says will add technology and market position to Morgan's US technical ceramics business. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Air Liquide	726	−	26
BMW	467.5	+	9	BIC	888	−	11
Daimler-Benz	524.5	+	14	Docks de France	365	−	15
Degussa	316	+	16	Fonc Lyonnaise	540	−	27
Kaufhof	431	+	12	Taittinger	1867	−	113
Mercedes	387	+	11	**TOKYO (Yen)**			
Falls				**Rises**			
Altana	520	−	17	Gajoen Kanko	133	+	6
NEW YORK ($)				Shin Yei Steam	102	+	16
Rises				**Falls**			
AnnTaylor	21¼	+	1½	Ask	379	−	44
Biogen	44¾	+	2½	Hyogo Bank	465	−	53
Colorado Nat	38⅞	+	6⅛	Nippon Carbon	372	−	39
Disney	40⅞	+	⅞	Shokusan Jutaku	476	−	64
IBM	67⅝	+	1⅞				
Falls							
Storage Tech	23⅝	−	6⅛				
PARIS (FFr)							
Rises							
Union Immob	474	+	24				
LONDON (Pence)							
Rises				Amec	144	−	14
AIM	133	+	8	Apollo Metals	80	−	7
Bowater	453	+	15	Br Aerospace	135	−	14
Camb Isotope	33	+	9	Burton	45	−	2½
EnterpriseComp	15½	+	2	Gabicci	38	−	4
McAlpine (A)	108	+	9	High-Point	83	−	5
McCarthyStone	35	+	4	Lasmo	164	−	8
Meyer Intl	252	+	13	Northumber	22	−	5
Porth	7½	+	2¼	Prowting	71	−	11
Ratners	16½	+	2	Rolls-Royce	124½	−	10½
Trinity Hldgs	140	+	6	Royal Insnce	226	−	11
Falls							
APV	95	−	6½				

More job losses on way at RVI

By William Dawkins in Paris

RENAULT Véhicules Industriels (RVI), the French truckmaker, is expected shortly to announce up to 2,500 job losses, nearly 15 per cent of the workforce, according to a letter from trade unions to the government owner.

RVI is heading for around a FFr1bn ($190m) loss this year, a sharp turnround from the FFr23m net profit it made in 1991, says the letter from the CFE-CGC white collar union, which appeals to the ministers of labour and industry for other solutions to the problem.

The exact size and timing of the job losses, the latest indication of the depth of recession in the world truck industry, will be announced by RVI management in the next few weeks, possibly at the next staff council on November 18.

An RVI official yesterday confirmed that job losses were on the way, in response to a steep decline in orders. French truck sales alone are expected to fall 25 per cent this year, according to the union letter. RVI, which announced just over 1,000 job losses last year, has already introduced temporary lay-offs, averaging seven days per month.

But these are inadequate in the absence of any signs of recovery in sales, said the official. If the latest job losses are confirmed, RVI will have lost 30 per cent of its workforce over the past two years.

This news will be all the more unwelcome to the government, which must vet the plans, at a time when unemployment continues to rise, up 1 per cent to 2.9m in September, or 10.2 per cent of the workforce.

Until recently, the public sector has been able to shed jobs with little union opposition, but feelings have begun to heighten, with the recent announcement of a 24-hour strike by Air France employees against 1,500 job losses at the state airline.

● Peugeot, Europe's second largest carmaker, which also includes Citroën, yesterday announced an underlying 0.6 per cent decline in sales for the first nine months of the year.

Peugeot's published turnover fell by 1.2 per cent to FFr116.7bn in the nine months to September, but the underlying fall was smaller after adjusting for the previous year's sales of its cycles business and an engineering unit. Peugeot said it gained market share in Spain, Britain, Germany and Portugal.

GPA shelves planned preference issue

GPA Group has shelved its $350m convertible preference share issue which it planned to complete by the end of the year, writes Roland Rudd.

Nomura International, the Japanese investment house working on the convertible, has told shareholders that GPA's failure to raise $752m from Alps2 (the securitisation of aircraft leases) means the convertible can no longer go ahead.

One of GPA's biggest shareholders said: "We have been told that the convertible has been aborted. I do not believe the group will try again to persuade shareholders to raise additional finance."

Another investor said: "Shareholders are not willing to take part in any refinancing of the group while there is a chance than the group could be in breach of its covenants."

Nomura had hoped that 65 per cent of GPA's shareholders would make irrevocable commitments to take about two-thirds of the new shares by Wednesday.

It planned to place the remaining one-third of the shares with new investors over the next week in order to launch the new share issue on November 20.

However, one of GPA's financial advisers said: "The convertible was based on a whole range of business assumptions which are no longer viable." Nomura would find it impossible to go back to shareholders with the same plan, he added.

Nomura has 1.75m GPA shares, most of which it bought at an average of $20 a share compared with the $8 conversion price of the shelved convertible.

Although the investment bank is not involved in advising GPA in its talks with its banks, it hopes to continue its relationship with the group.

GPA has written to its investors detailing its current financial situation.

A GPA executive said yesterday the group took heart from its core leasing business which continued to perform will under Mr Phil Bolger, deputy chief executive of GPA leasing.

Flying into thin air as debt rises

Roland Rudd and Robert Peston on the troubled leasing group

GPA Group's recent failure to raise $752m from the sale of bonds backed by 18 aircraft leases triggered the current talks with its banks over rescheduling its borrowing arrangements.

The aborted securitisation of aircraft leases has unravelled the financial strategy that the group put together with its shareholders, lenders and aircraft suppliers in the aftermath of its shelved $800m flotation in June.

Its debt has risen significantly since it issued its prospectus for its failed flotation when it had borrowings of more than $3bn. They have now risen to around $5bn.

While GPA appears able to pay its interest on its debt for the foreseeable future, an analysis of its accounts shows it may face difficulties in paying back principal on the debt from cash flow.

The group reported $285m in net cash flow from leases – after the deduction of interest – in 1992. In other words, these were the funds generated last year to meet other obligations, such as debt repayment.

GPA's latest accounts says that $451m comes up for repayment in the current year, which ends on March 31 1993, and that a further $654m is due in the following year.

It will have difficulty making these payments, unless there is a sharp increase in net cash flow from leases, which the company says is unlikely.

The securitisation of aircraft leases would, however, have helped in making these debt payments.

It would also have boosted shareholders' confidence and therefore increased the chances of the company raising a further $350m from a preference share issue. But this issue has now been shelved, and with it the group's hopes of a Luxembourg public listing.

Its lending banks – which include National Westminster, Citicorp of the US and 26 Japanese banks – are aware that in the absence of new liquidity, either from the securitisation of aircraft or from tapping existing shareholders for new funds, the group will need to reschedule some of its debt payments for 1993.

A further problem facing the group is that it has signed contracts with aircraft manufacturers to buy 308 aircraft by the year 2000 at a cost of $11.9bn and it has the option to buy a further 200 for $9.1bn.

These orders represent 48 per cent of all orders and options placed by aircraft leasing companies. The Los Angeles-based International Lease Finance Corporation (ILFC), owned since 1990 by the American insurer AIG, is second with 24 per cent.

GPA recently persuaded the manufacturers to defer delivery of $5bn of these aircraft. However, this agreement was conditional on the success of the preference share issue.

That tentative agreement will now have to be renegotiated.

GPA has paid $954.1m in pre-delivery payments, with Boeing holding 37 per cent of the payments, Airbus 29 per cent and McDonnell Douglas 26 per cent. Under the current contracts, GPA is committed to spend $4.7bn by the end of 1993 on the purchase of 146 aircraft.

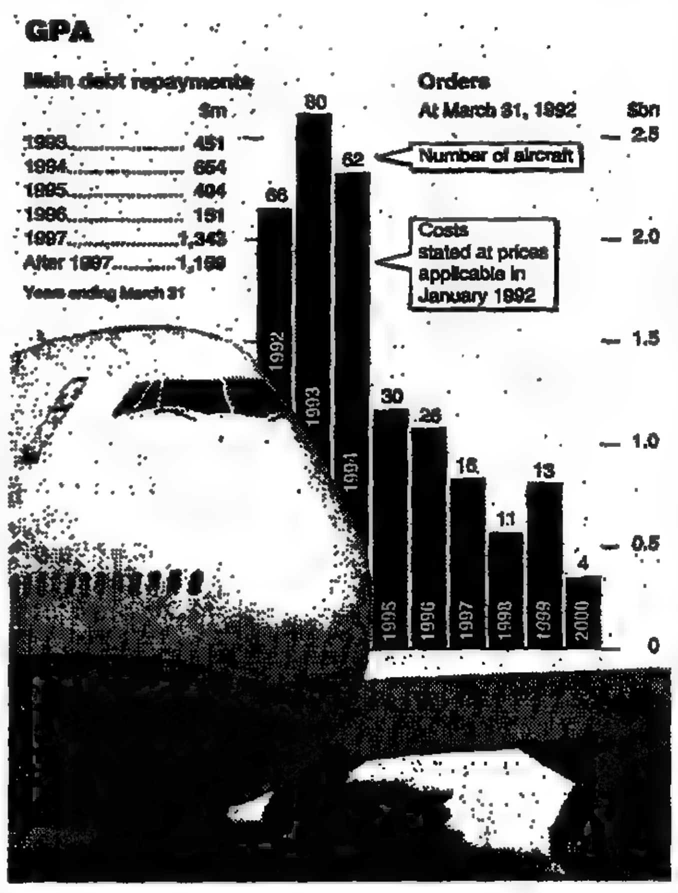
A report by the Wall Street firm MJ Whitman, which specialises in debt trading, says that banks may be reluctant to provide the funds to meet these commitments.

The report, called GPA Group PLC: Flying in Thin Air, says: "Barring a radical change in the global aviation market, we believe GPA will have great difficulty placing most of these new planes [on leases with airlines] in advance of the order dates, yet we doubt their lenders will allow access to credit without leases being in place."

However, Dr Onno Ruding, vice-chairman of Citicorp, which is one of GPA's lenders, said: "The role of a specialised intermediary in the aviation business . . . remains crucial. There will remain a major need for companies such as GPA. I think the parties involved are aware of it, particularly the manufacturers. I don't have to explain it to them . . . There should be co-operation between suppliers and banks."

GPA's future will be decided by whether there is co-operation between these manufacturers and banks in any restructuring of its finances.

But given that there are competing manufacturers and 73 banks – plus other creditors – reaching agreement will not be easy.



US carrier agrees Air Canada's $450m bid

By Nikki Tait in New York and Robert Gibbens in Montreal

CONTINENTAL Airlines, the fifth largest US carrier which has been operating under Chapter 11 of the US bankruptcy code since late-1990, yesterday accepted a $450m investment proposal from Air Canada, the larger of the two main Canadian carriers.

The deal is another step in the trend towards global airlines alliances and follows a long bidding process. It will be implemented when Continental's reorganisation comes into effect and the carrier moves out of bankruptcy, probably in early 1993.

The deal promises a welcome cash injection for Continental. Meanwhile, Air Canada has been manoeuvring for 18 months to become an emerging global airline, but has been dogged by a worsening financial performance as the Canadian recession has deepened.

Air Canada, with a Texan investment partnership called Air Partners, plans to invest $450m. Of this, $110m will buy common stock in the carrier, shared between the Canadian carrier and the partnership. Air Canada will also buy $30m of non-voting preferred stock.

Air Canada will also acquire $150m of debt securities backed by unencumbered assets of the US airline, while Air Partners will buy and then place out $160m of debt securities secured by assets of Continental Micronesia, a Continental affiliate.

Air Canada will hold 27.5 per cent of the equity in the reorganised airline, and 24 per cent of the voting stock. Air Partners – headed by Mr David Bonderman and Mr James Coulter, who have links with the billionaire Texan financier, Mr Robert Bass – will have a similar equity stake but 41 per cent of the votes.

A further 35.8 per cent of the equity will go to Continental's unsecured creditors, in return for forgiving certain claims. The restructured US airline will have 18 board members – six Air Partners appointees, six from Air Canada, three representing the unsecured creditors, two independents and one from management.

The deal requires regulatory approval, but yesterday Air Partners said the bidders had attempted to comply with US caps on foreign ownership of airlines – which stand at 25 per cent of the voting rights and up to 49 per cent of the equity.

Black pays C$259m for 23% stake in Southam

By Bernard Simon in Toronto

MR Conrad Black, Canadian proprietor of Britain's Daily Telegraph, has broadened his base in North American publishing by becoming the largest single shareholder in Southam, Canada's biggest newspaper chain.

Hollinger, Mr Black's holding company, has agreed to pay C$259m ($208.8m) for the 23 per cent stake in Southam previously held by Torstar, another Canadian publishing group.

Hollinger is prevented by a Southam "poison pill" from immediately buying more of Southam's stock. But the deal fits the strategy Mr Black has favoured in the past of gaining control of troubled companies by starting off with a minority stake.

Mr David Radler, Hollinger's president, said yesterday Southam was an "under-valued asset".

Hollinger owned about 5 per cent of the company in the 1980s, which it sold three years ago at about double the current market price.

"We still valued it as a serious asset, and as an asset we wanted," Mr Radler said.

Hollinger paid C$18.10 for each of Torstar's 14.3m Southam shares. A Southam official said the remaining shares were widely held, with no single block of more than about 5 per cent.

Mr Radler said the deal – expected to be finalised by the end of the year – would be financed through "normal lines of credit".

Southam owns 18 daily newspapers, with a combined circulation of 1.5m. They include the main English-language papers in Montreal, Vancouver and Ottawa. Southam also publishes trade magazines and owns a leading Canadian bookstore chain.

A new management team is seeking to bring down costs and focus on the core newspaper business.

Southam posted a C$186m loss in the first nine months of this year, most of it stemming from a commercial printing division which has since been sold.

Mr Black has been searching for a North American flagship to augment three chains of small, mostly rural newspapers which Hollinger owns. He recently withdrew an offer to buy the bankrupt New York Daily News.

Hollinger also has a stake, through The Telegraph, in Fairfax, Australia's second biggest publishing group, and owns the Jerusalem Post.

Hanson threatens to sue Costain

By Andrew Taylor in London and William Dawkins in Paris

HANSON, the large Anglo-US conglomerate, last night threatened to sue Costain after the UK construction group announced it was accepting a higher offer for its profitable Australian coal mining business.

Costain said Altus Finance, part of Crédit Lyonnais, the French state-owned bank, had agreed to pay US$245m for the coal mining business and Costain's remaining Australian commercial property interests.

Costain had agreed to sell only the New South Wales coal-mining operation for US$200m to Peabody Coal, a Hanson subsidiary.

Mr Irl Engelhardt, president of Peabody, the world's second largest private coal producer, said: "We are consulting our legal advisers on this. Peabody has acted in good faith and we have an enforceable contract."

It is the second time in less than two weeks Hanson has been trumped. The group last week pulled out of its £790m ($1.2bn) offer for Ranks Hovis McDougall after Tomkins, a rival British conglomerate, bid £935m for the UK milling, baking and grocery products group.

Mr Peter Costain, chief executive of the British construction group, yesterday denied the company had broken the terms of the agreement with Peabody announced three weeks ago.

He said: "Under the sale agreement we were permitted to consider a subsequent unsolicited offer, if this was considered by our legal advisers to be in the best interest of our shareholders. We can understand Hanson's disappointment but we have a duty to look after our shareholders first."

Hanson claims the Altus offer resulted from talks begun before the Peabody deal was announced. Altus will take over borrowings of A$120m ($85.7m) making the deal worth more than £200m ($306m) to Costain which needs to reduce its large borrowings.

Costain said the offer, after expenses, was worth £26m more than the offer from Peabody. Part of the increase was due to a better offer for its coal mines.

Altus, which controls a £1.6bn portfolio of financial and industrial holdings, has been seeking to diversify away from financial investments. It is 67 per cent owned by Crédit Lyonnais and 32 per cent by Thomson-CSF, the French state defence group.

Lex, Page 18; Observer, Page 17

BAA shrugs off recession with 46% rise at halfway

By Paul Betts, Aerospace Correspondent, in London

BAA, the privatised UK airport group, yesterday shrugged off the recession by reporting a 46 per cent rise in first-half pre-tax profits to £220m ($338m) and a 9 per cent rise in its interim dividend to 6.25p a share.

The performance reflected a 30 per cent rise in productivity, lower property write-downs and restructuring costs, and a recovery in passenger traffic after the Gulf war slump last year.

The productivity improvement followed a 20 per cent cut in the workforce in the past financial year from 10,733 to 8,730.

Exceptional charges covering property write-downs and staff reorganisation fell to £11.5m compared with £54.5m a year ago. Excluding these charges, pre-tax profits rose 12.6 per cent to £232m. Group revenues rose by 5 per cent to £541m.

Although passenger numbers increased 11 per cent in the first half, passenger growth for the year to the end of March 1993 was expected to be between 6 per cent and 8 per cent. Sir John Egan, BAA chief executive, said this reflected continuing recession in the UK and other industrialised countries and the fact the Gulf war recovery had been absorbed by the traffic figures.

Sir John Egan: figures reflect the continuing recession

In spite of the 11 per cent rise in passengers, income from landing fees rose only 3 per cent in the first half to £246m because of tougher regulatory pricing imposed last year by the Civil Aviation Authority. But Sir John said BAA managed to cut debt by £78m and for the first time since privatisation it was in a positive cash-flow position.

Traffic at Heathrow, the group's biggest airport, grew nearly 11 per cent largely as a result of increasing numbers of passengers using Heathrow to transfer between flights. Transfer passengers accounted for a third of the growth in passenger numbers during the first half. Sir John said the transfer market had become "the front-line in the competitive battle between Europe's major airports".

Although the group's overall commercial income rose 7 per cent to £163m in the first half, passengers were spending on average about 3 per cent less than last year, largely due to recession, more transfer passengers with less opportunity to shop, and the weakness of the US dollar this summer which deterred US consumers.

However, BAA is continuing to expand its airport retailing activities.

Lex, Page 18; Gatwick revival hopes, Page 24

Henderson predicts ICI split-up for this year

By Paul Abrahams in Taipei

SIR DENYS Henderson, chairman of Imperial Chemical Industries, the UK chemicals-based group, yesterday confirmed that the organisational split of the group's pharmaceuticals, agrochemicals and specialities businesses into a separate company was on track. He said the new company would be fully formed as a subsidiary of ICI by January 1 next year.

Sir Denys said a final decision to go ahead with the demerger of the group into two separately-quoted companies would be made at February's meeting of the ICI board.

The board would look at the financial position of the whole company and forecasts for the group's performance next year.

Sir Denys, speaking in Taiwan, where ICI was opening a £150m facility, refused to comment on whether ICI would maintain its full-year dividend.

The board would also consider the state of the stock market to establish whether it would be possible to issue fresh shares in the bioscience company, he said.

Analysts believe most of ICI's liabilities will be given to the bioscience group, freeing the bulk chemicals operations from debt. The bioscience businesses will then issue shares to clear their debt and raise cash for possible acquisitions.

Sir Denys warned that the pharmaceuticals division's operating profits next year would be flat. The division generated trading profits of £538m last year, equivalent to 52 per cent of ICI's total pre-tax profit on 12 per cent of group sales.

Next year agrochemicals would improve on its poor performance during 1992, he added. "There's a lot of money looking for quality stocks," he said. "As a company, the bioscience business should be quite attractive – in fact, that is British under-statement, they should be very attractive."

Neighbourhood fight in Madrid

Peter Bruce watches a takeover battle in Spain's property sector

A takeover battle for control of a huge residential area of Madrid recently vacated by the US Air Force promises to be one of the fiercest ever in Spain.

The object of the struggle is the property company which owns and is named after the area, El Encinar de los Reyes (Royal Oaks). At stake is a rapid catch-up in property values following an end to more than 30 years of price control.

El Encinar is wedged between two of Madrid's most expensive northern suburbs, Moraleja and El Soto de Moraleja. While well-heeled Spaniards have been paying vastly inflated prices to buy into the two Moralejas, property values in El Encinar have been governed by prices agreed in 1958.

It was then that the US first established military links with the Franco dictatorship. But the US service families have now departed and El Encinar's owners believe that with a little rebuilding and some paint, the area could be transformed into a boom town.

As the Spanish property market continues to fall into the doldrums, El Encinar and its 866 homes must be the only property in Spain capable of generating more money in the next five years than it has in the past 30.

The Olazábal family, immigrants to Madrid via the Basque country and Mexico, where they made their fortune, bought control of El Encinar in 1962. They now own 35 per cent of the company and have expanded into other ventures, particularly in Mallorca.

Clearly, the Olazábals have been waiting a long time for their sitting tenants at El Encinar to go in order to raise rents or sell the properties. But instead of buying up the shares that still trade on the stock market before the American families left, they waited just a little too long.

Banco Bilbao Vizcaya (BBV) one of Spain's biggest banks and the most powerful Basque-run institution in Spain, began buying shares earlier this year. Through its property affiliate, Metrovacesa, it owns almost 25 per cent.

In October, the Olazábals announced they were making a formal bid for 14 per cent of El Encinar at Pta2,500 ($22.45) a share. On the face of it that would give them just 49 per cent of the company but El Encinar owns 3 per cent of itself in treasury stock so they would have effective control.

Last week BBV struck back with plans to launch a counter offer later this month for 75 per cent of El Encinar.

The Olazábals quickly responded with a bid of Pta2,750, and spoke of their "sense of sorrow that a Basque bank, and especially the BBV, should so violently try to displace a Basque family from exercising its traditional control".

What is being offered up here is a graphic display of how many of Spain's old business families still believe business is something done between friends. BBV, which has been living in a tougher world for some years, immediately said it would beat the new Olazábal offer if it expired unsuccessfully. Last night the family was debating whether to widen the offer to satisfy its angry competitor.

It is probably no coincidence that the Olazabal bid is being guaranteed for Pta2.45bn by the BBV's main rival, Banco Central Hispanoamericano (BCH). Even less of a coincidence is that Metrovacesa's biggest property rival is Vallehermoso, which is owned by the BCH.

Vallehermoso may not want to take El Encinar away from the Olazabals but it would be most unhappy if Metrovacesa were to walk away with something quite so succulent in a market so depressed. The fight for El Encinar could get ugly.

Consortium formed to prop up Danish bank

By Hilary Barnes in Copenhagen

A CONSORTIUM of eight large banks, including the central bank, formed a consortium at the weekend to guarantee liquidity to Varde Bank, Denmark's tenth ranking bank with assets at the end of 1991 of about DKr17bn ($2.8bn).

The bank, which serves the Esbjerg area of west Jutland, experienced a run by depositors at the end of last week despite the fact that local businessmen have promised to subscribe to a share issue as a means of strengthening capital ratios.

This is the first time since 1984 that the Danish central bank and other banks have joined forces to place a safety net under a troubled bank.

Bleak result at Minolta reflects strategic flaw

By Robert Thomson in Tokyo

MINOLTA, the Japanese camera maker, yesterday announced pre-tax losses of Y4.98bn ($40m) for the six months ended September, reflecting the vulnerability of leading Japanese companies with a past strategy of high quality but low profitability.

The company's interim statement painted a bleak picture. After reporting taxable losses of Y2bn in the same period last year, cash reserves have fallen and short-term borrowings have increased, while the value of securities holdings was eroded by the continuing weakness of the Tokyo stock market.

Sales for the first half were down 11.9 per cent to Y99.5bn, as Minolta faced intense competition in the domestic camera market and struggled to fulfil its aim of shifting the sales emphasis to office equipment such as copiers and word processors.

Camera sales were down 22 per cent during the period, with export earnings down 26 per cent. A restructuring plan intends to reduce the reliance on export earnings by increasing sales in the home market, but domestic sales were also 13 per cent lower.

Office equipment sales were down by just over 3 per cent, and sales in the domestic market rose only marginally from Y11.2bn to Y11.9bn.

The company's cash reserves fell from Y14.5bn at end March to Y8.9bn, while inventories rose from Y49.7bn to Y57bn over the past year.

Saab Auto looks to save SKr2bn

By Christopher Brown-Humes in Stockholm

SWEDEN's Saab Automobile said yesterday it would cut 2,000 jobs in a bid to improve productivity and restore profits to its operations. The aim is to achieve cost savings of SKr2bn ($335m).

The worst-hit facility will be the group's main Trollhätten plant, where 1,650 jobs, or more than 20 per cent of the workforce, will be cut. A further 330 jobs will be shed at the company's Gothenburg and Södertälje operations.

Saab, which is jointly owned by Saab-Scania and General Motors of the US, said it had been forced to take action because of the poor sales outlook and the losses it continued to sustain.

Mr Keith Butler-Wheelhouse, who took over as chief executive in September, said: "We are losing more than one million dollars a day. These actions are necessary to safeguard Saab's future."

The group said it made a loss of SKr1.34bn in the first nine months, 36 per cent less than the SKr2.11bn deficit in the same 1991 period. But the loss worsened in the third quarter to SKr541m from SKr522m a year ago, and the full year result is expected to be in line with the SKr2.2bn loss sustained last year.

Sales in the first nine months were higher at 66,800 units, compared with 64,700, but the forecast for the full year is unchanged at 87,500. Next year output is expected to total just 80,000 units.

Ahlstrom to take key role in Enso

By Christopher Brown-Humes

AHLSTROM, the Finnish forest and metals engineering group, is set to become the leading private shareholder in Enso-Gutzeit through a forest-for-shares deal worth FM926m ($185m).

Enso, one of Europe's leading forest industry groups, is buying 100,000 hectares of forest in south-eastern Finland from Ahlstrom.

Payment will be in the form of 44m new Enso shares, which equates to 23.5 per cent of the shares in Enso and 10.1 per cent of the votes.

The deal still leaves the Finnish state as the largest shareholder, with 59 per cent of the votes.

Mr Jukka Härmälä, Enso's president, said the transaction would increase the size of the group's raw material base to more than 450,000 hectares. It would also improve the group's debt/equity ratio, he added.

Enso will issue 6.6m series A restricted shares at FM27 each and 37.4m series R restricted shares at FM20 each to Ahlstrom. The deal is expected to be completed by the end of the year, with the new shares entitled to a dividend from 1993 onwards.

Fokus Bank to seek injection of state cash

By Karen Fossli in Oslo

FOKUS BANK, Norway's third biggest bank, yesterday reported a sharp decline in nine-month net losses to NKr405.3m ($62.7m) from NKr1.49bn last year, but warned it has been forced to seek a further injection of state capital.

Fokus said its capital adequacy at end-September was 4.5 per cent of risk-weighted assets. It needs the extra capital in order to meet a regulation target of 8 per cent by the end of the year.

Both Den norske Bank and Christiania Bank, the two biggest banks, last week said they had entered discussions with the state-backed bank insurance fund to obtain fresh capital. Last year the three troubled banks fell under the control of the state after experiencing successive losses for a number of years. As a result the state was forced to inject more than NKr20bn into the Norwegian bank sector.

INTERNATIONAL COMPANIES AND FINANCE

Reliance advances 119% at midway as sales surge

By Stefan Wagstyl in New Delhi

RELIANCE Industries, the fast-growing Indian chemicals and textiles conglomerate, yesterday reported a 119 per cent rise in net profits to Rs1.82bn ($64m), for the six months to September, from Rs831m a year earlier, due to a sharp increase in sales and a substantial increase in earnings from financial investments.

Reliance, which this year became the first Indian company to raise equity in international markets through the issue of global depository receipts, reported a 26 per cent advance in sales to Rs13.48bn, excluding inter-group transactions, from Rs10.66bn. Profits from financial transactions were Rs522m, compared with none in the same period last year. Gross profits were Rs3.09bn, an increase of 73 per cent over the previous Rs1.79bn.

Reliance expects further growth in profits in the second half of the year, as long as the government presses ahead with the deregulation of the petrochemicals industry. The group said it was suffering from the fact that the government, which is in the middle of economic reform, had cut subsidies on certain chemical feedstocks, thereby raising Reliance's input prices.

But it had not yet liberalised imports of these products – depriving Reliance of access to cheaper imported feedstocks. Also, the Indian industry was suffering from "large-scale dumping" and "severe unfair competition" from foreign chemicals producers who were selling their products in India.

However, Reliance expects the government to act soon on both these problems.

The company is raising funds on the Bombay stock market for two subsidiaries which will make plastics in partnership with Itochu, the Japanese trading company.

Interest fall hurts Yamanouchi

By Emiko Terazono in Tokyo

YAMANOUCHI Pharmaceutical, a leading Japanese ethical drug manufacturer, yesterday revealed that non-consolidated pre-tax profits for the first six months to September were hit by a fall in interest income.

Interim taxable profits fell by 4.4 per cent to Y30.24bn ($247.86m) from Y31.62bn, on a 6.6 per cent growth in sales to Y119.87bn from Y112.42bn. Yamanouchi attributed the sales growth to a rise in demand for Gaster, its anti-ulcer drug.

Operating profits grew 3.1 per cent to Y25.61bn from Y24.85bn, while net profits fell 4.8 per cent to Y15.62bn.

Profits fell because of a Y1.2bn fall in interest income. However, Yamanouchi is to increase its interim dividend by Y1 a share to Y6.50.

For the full year to March, Yamanouchi expects pre-tax profits to edge up 0.7 per cent to Y61.5bn on an 8.5 per cent rise in sales to Y245bn.

● Shionogi, another Japanese pharmaceutical company mainly engaged in antibiotics, reported an 8.1 per cent fall in pre-tax profits for the first six months to Y9.3bn from Y10.11bn, on a 2.6 per cent rise in sales to Y114.04bn. Operating profits rose 22.6 per cent to Y7.44bn from Y6.07bn, while net profits fell 16.3 per cent to Y3.94bn from Y4.71bn.

For the full year to March, Shionogi expects pre-tax profits to fall 5.6 per cent to Y18.3bn on a 3.3 per cent rise in sales to Y233bn.

● Tanabe Seiyaku, which mainly makes drugs for circulatory organs, saw a sharp rise in interim profits thanks to increased exports of Herbesser, its cardiac remedy. Pre-tax profits grew 13.2 per cent to Y7.58bn from Y6.69bn, on a 3.7 per cent sales increase to Y109.61bn from Y105.73. Net profits advanced by 7.8 per cent to Y2.82bn from Y2.15bn.

For the full year, Tanabe projects a 5.3 per cent rise in taxable profits to Y13.7bn on a 0.9 per cent rise in sales to Y212bn.

● Daiichi Pharmaceutical, another leading Japanese ethical drugs producer, was hit by official medicine price cuts, and saw pre-tax profits for the first six months fall 7.4 per cent to Y19.1bn from Y20.63bn on a 7.5 per cent rise in sales to Y101.94bn from Y94.85bn. Net profits fell 7 per cent to Y9.09bn from Y9.78bn.

Investment downturn hits Omron

By Charles Leadbeater in Tokyo

OMRON, a leading Japanese electronic systems manufacturer, yesterday blamed a virtual freeze on investment by Japanese companies for an 80 per cent drop in pre-tax profits for the first half of its financial year.

Omron said the sharp downturn in the Japanese economy over the past six months had created a drastic situation, with industrial investment grinding to a halt after the boom of the late 1980s.

Omron, which makes factory, traffic and office computer control systems, reported an 80.2 per cent drop in net profits to Y1.28bn ($10.4m) in the six months to September from Y6.47bn in the same period a year earlier. Turnover fell by 10.8 per cent to Y169.7bn from Y190.4bn.

Omron is suffering from the same pressures that are hitting many Japanese manufacturers. Its heavy investment programme in the late 1980s, when Japanese demand was growing rapidly, has left it carrying high depreciation costs as economic growth is slowing. The company said the high burden of fixed costs from its modernisation programme had left its profit margins vulnerable to a fall in turnover.

Sales of its main products – control components and production systems mainly for factories – fell by 11 per cent to Y112bn. Sales of traffic control systems were 28 per cent down at Y4.4bn, while sales of office automation systems dropped by 20.4 per cent to Y11bn.

Omron said it expected to report a 48 per cent drop in full-year net profits to Y7bn.

Malaysian bank's profits fall 57%

BANK Bumiputra Malaysia (BBMB), the state-owned institution, yesterday reported a 57 per cent fall in pre-tax profits to M$42.44m (US$16.97m) for the year to March 31, Reuter reports from Kuala Lumpur.

Total income rose to M$656.77m from M$625.86m while net profits fell to M$22.74m from M$83.77m.

The bank gave no reasons for the sharp fall in profits but said that in May 1991 a court ordered it to pay M$18.7m in damages for breach of agreement in terminating a client's credit facility.

The government has twice rescued BBMB, Malaysia's second largest bank in terms of assets, from collapse.

BBMB still faces a lawsuit in the US over the Hong Kong debacle involving the collapse of Carrian Group to which the bank had been a leading lender.

BBMB's performance compared with record profits by other local banks is a big blow to the government, analysts said.

On Saturday, Mr Anwar Ibrahim, finance minister, announced that Mr Hanafiah Hussein, BBMB chairman, and Mr Jaafar Ahmad, executive director, were retiring.

Westpac management given year's deadline

By Kevin Brown in Sydney

SENIOR management of Westpac, the troubled Australian bank, was yesterday given a year to solve the bank's problems before facing pressure for changes from institutional shareholders.

Mr Ian Salmon, managing director of the AMP Society, Australia's biggest financial institution, said it had been made clear to Westpac management that the bank's operational performance must be improved quickly.

"They will do it in the course of the next six to 12 months or I guess the board will decide they can't do it and make some alternative arrangements," he said.

The AMP is Westpac's biggest shareholder with just under 15 per cent of the stock and two seats on the board. It has supported the bank's board and senior managers over the past two years in spite of a series of poor results.

Mr Salmon said there was no need for further board changes following the resignations last month of five directors, including Sir Eric Neal, the former chairman.

However, he said the AMP would "have something to say" if Westpac were not moving in the right direction within six months. "We can apply a little bit of leverage. We have a fair shareholding. I think we would get a lot of support," he said.

Westpac shares fell to a low of A$2.42 on the Australian Stock Exchange after Mr Salmon's comments, but recovered to close at A$2.50, down one cent on the day. The shares fell 24 cents to a nine-year low of A$2.51 on Friday, following the announcement of an unexpected A$115m (US$80m) tax charge in the US.

The US tax problem followed a failed A$1.2bn rights issue and a disastrous first half, in which the bank incurred a pre-tax loss of A$2.2bn after writing off A$2.65bn against bad debts.

Aiwa down 52% as consumption stays flat

By Charles Leadbeater

AIWA, the audio equipment producer affiliated to Sony, has confirmed the flat state of consumer markets in Japan and overseas by reporting a 52 per cent fall in first-half taxable profits to Y1.15bn ($9.3m).

Aiwa, which exports about 80 per cent of its production, has been hit particularly by a slowdown in overseas markets. Turnover in the six months to the end of September was 2.5 per cent higher than last year at Y77bn.

Europe fuels Hyundai's strategy

A US sales slump has forced a shift in focus, reports **John Burton.**

HYUNDAI Motor, South Korea's largest vehicle manufacturer, is shifting gear in its export strategy.

Europe could become the company's biggest foreign market this year, providing new momentum for export growth after sales slumped dramatically in the US.

US sales fuelled Hyundai Motor's rapid growth during the 1980s, with more Americans than South Koreans buying Hyundai cars.

But US demand suddenly weakened in 1989 due to the economic downturn. Production problems at Hyundai's Korean plants, and labour strife, led to a temporary deterioration in quality and growing consumer complaints. Hyundai's exports, which then accounted for almost two thirds of production, halved to 200,000 vehicles in 1989.

In an attempt to revive exports, Hyundai quickly turned its attention to Europe and has expanded considerably its distribution network there during the past three years.

The number of European countries where Hyundai cars are sold has increased from four in 1988 to 25, with France last month becoming the most recently opened market.

Sales in Europe this year surpassed those in the US for the first time, with 78,571 vehicles sold in Europe during the first nine months against 61,235 cars in the US. Germany, which Hyundai entered only last year, is already its second largest national market overseas, after the US.

Mr Kim Nae-Myoung, Hyundai Motor's export marketing director, says: "In spite of the recession ... we have continued to grow due to our status as a relative newcomer and because our prices are competitive."

The depreciation of the Korean won against the Japanese yen and other leading currencies has helped. But Hyundai is also accepting profit margins in Europe that are even lower than in the highly competitive South Korean market, according to Mr Kim.

Analysts say Hyundai has little choice but to increase exports at almost any price, because it needs to reduce a growing inventory of vehicles.

This reflects slower growth in the domestic market, which now accounts for 55 per cent of Hyundai's sales. The Korean government recently raised vehicle taxes, already among the highest in the world, to curb car ownership and alleviate growing traffic congestion. South Korea is now the world's eighth biggest car market.

The introduction of the car taxes came at an awkward time for Hyundai and other Korean motor manufacturers since they recently expanded production facilities and are launching several new models. Hyundai's annual production capacity is 900,000 vehicles.

Hyundai hopes to increase exports to almost 300,000 cars this year from 229,000 in 1991 as sales more than double in Europe and it develops other markets, including Latin America, south-east Asia and the Middle East.

The strong export growth is predicted to raise Hyundai sales to Won6,500bn ($8.31bn) this year from Won5,652bn in 1991. Earnings are also expected to grow to Won65bn from Won54bn a year ago, although this mainly reflects improved productivity in its factories.

Hyundai accounts for almost half of domestic motor vehicle sales and two thirds of Korean car exports.

It has established a firm foothold in Europe ahead of its main domestic competitors, Kia Motors and Daewoo Motor, owing to its ability to freely market its cars worldwide.

All three Korean motor manufacturers have licensed technology from foreign car companies. But Kia and Daewoo had to accept restrictions on overseas sales in their technology agreements, while Hyundai's Japanese partner Mitsubishi permitted export rights.

Daewoo recently broke its joint venture ties with General Motors of the US in order to pursue overseas sales, while Kia is now planning to set up sales networks in the US and Europe as it independently develops new car models.

Mr Kim believes Hyundai so far does not face much of a protectionist threat in Europe. "We have taken advantage of the quotas placed on Japanese imports in developing a market. But our sales volume is too small for trade barriers to be directed against us. Our market share is peanuts, less than 1 per cent of the European market."

Hyundai's greatest obstacle in Europe is unfavourable perceptions about the quality of its vehicles, Mr Kim acknowledges.

Hyundai is hoping that its Lantra compact car, launched in mid-1990 after five years of development, will help restore public trust.

The Lantra – known as the Elantra in Korea – is expected this year to replace the Excel as Hyundai's most popular model in both the domestic and foreign markets. Hyundai also exports its Sonata saloon and Scoupe compact, while its luxury car Grandeur is only sold in Korea.

Hyundai's research and development programme is the second biggest in Korea after Samsung Electronics, the country's main semiconductor producer.

Hyundai last year became the first Korean vehicle manufacturer to completely develop a car engine and it plans to equip some of its vehicles with fuel-saving "lean-burn engines" beginning in 1994. The development of key motor components will also enable Hyundai to reduce its dependence on foreign suppliers and cut high royalty payments to them.

Du Pont agrees to sell connectors unit for $400m

By Alan Friedman in New York

DU PONT, the leading US chemicals group that is engaged in a far-ranging restructuring programme, has agreed to sell its electronic connectors division for $400m to Hicks, Muse & Company, a Dallas-based leveraged buyout specialist.

Du Pont said last May it planned to dispose of the unit, which employs about 3,000 people. The division has annual revenues of about $450m.

In August Du Pont said it would reorganise its electronics division, which will have annual revenues of about $800m after the sale of the connectors business is completed. Mr Chad Holliday, president of Du Pont's Asia Pacific operations, will take over responsibility for the electronics division, which includes printed circuit materials and semiconductor materials.

The purchase by Hicks, Muse includes $25m of senior preferred stock in the acquired company.

Investing with Hicks, Muse is Mills & Partners of St. Louis, a company that also specialises in acquiring industrial businesses. The deal is expected to be closed before the year-end.

The new company will be called Berg Electronics. Mr Norris Tolson, vice-president and general manager of Du Pont's connectors business, will become its president and chief operating officer and will receive an equity stake.

Mr Thomas Hicks, chairman of Hicks, Muse, said the connector business had a consistent record of operating profitability and a strong niche-market position.

The division's 3,000 employees are spread equally among the Americas, Europe and the Asia Pacific region. Du Pont first entered the connector manufacturing sector in 1972.

Resilient economy helps EVN climb to Sch181m

By Ian Rodger in Vienna

ENERGIE-Versorgung Niedersterreich (EVN), the Austrian electricity and gas utility, reported a 5.9 per cent rise in net profit to Sch181m ($16.2m) for the year to end-August, thanks mainly to the resilience of the Austrian economy.

EVN, which operates in the province of Lower Austria surrounding Vienna, said revenues rose 6.1 per cent to Sch9.85bn and operating profit gained 13.2 per cent to Sch677m. Pre-tax profits were Sch712m, up 0.7 per cent.

"Even in these difficult times of global economic slowdown, our company's performance was satisfactory," Mr Rudolf Gruber, chairman, said. The directors have recommended a 5.6 per cent rise in the dividend to Sch19 per share.

Revenues from electricity rose 10.2 per cent to Sch6.7bn but gas revenues eased 3.5 per cent to Sch2.8bn. Demand from gas-fired power stations declined because hydro stations were more productive.

Strong sales lift Dillard to $44m in third period

By Nikki Tait in New York

DILLARD Department Stores, the Arkansas-based retailer, yesterday reported solid progress in the third quarter of 1992, with after-tax profits increasing from $39m to $44.4m after tax.

Sales rose from $954.9m in the same period of 1991, to $1.16bn, with the number of stores increasing to 220.

The third-quarter performance means the department store group has posted after-tax profits of $126m for the first nine months of the year, against $112m in the first three quarters of 1991.

But St Louis-based May Department Stores plunged into the red in the third quarter, after it took a $298m extraordinary charge to cover planned store closings and consolidations and several other property-related charges.

This led May to report a $190m deficit after-tax in the three months, against a $91m profit in the same period of 1991. Sales were modestly higher at $2.67bn, against $2.56bn.

May has made after-tax profits of $284m in the nine months to end-October, against $249m in the same period a year ago. May said in the nine-month figures the third quarter one-off charge was offset by a similar non-recurring gain, taken in the second quarter.

● FRUIT of the Loom has registered with the Securities and Exchange Commission for an offering of 700,000 Class A shares. The shares will be sold by Fruit of the Loom's chairman Mr William Farley and Farley Inc and is part of Farley's bankruptcy reorganisation plan.

Computer rivals unveil new ranges

Louise Kehoe examines US advances in microprocessor technology

DIGITAL Equipment (DEC), the troubled US minicomputer manufacturer, today opens a critical campaign to regain sales momentum and profitability with the launch of a range of computers based on the controversial "Alpha" technology.

It hopes to leapfrog its principal competitors, including Sun Microsystems and Hewlett-Packard, with a range of seven computers from a $15,000 workstation to a multi-processor mainframe-class system.

The new Alpha chip – which processes information 64 bits at a time similar to a supercomputer – is likely to make Digital the front runner.

But SUN and Hewlett-Packard are jostling to upstage DEC and one another as they also today unveil powerful computers based upon the new generation of high-performance reduced instruction set computing (Risc) microprocessor chips of which Alpha is currently the most powerful example.

The price of the products the three companies are launching today range from under $5,000 to well over $150,000 and span desktop PCs through to data-centre mainframes.

Risc chips made their commercial debut in the mid-1980s.

Unlike earlier "complex instruction set" microprocessors, they process a limited number of simple instructions very rapidly.

These devices have become the critical component in an industry-wide computer-power battle, challenging the role of conventional microprocessors in the PC market and traditional computer architectures in minicomputers and mainframes.

Computer workstations will be centre stage in today's product launches as Sun, H-P and Digital battle for a larger share of the $10bn workstation market, one of the fastest growing sectors of the computer market.

Originally used primarily for engineering and technical applications, workstations are invading the office where they become powerful desktop computers.

H-P, which pioneered the use of Risc microprocessors in mid-range computers, will unveil a new range of workstations that double the speed of its current models.

Digital has to build a base of software applications to take full advantage of the new Alpha design.

Initially, Alpha workstations will be aimed primarily at software developers. By next March, the company predicts there will be "several hundred" applications designed to run on the Alpha computers.

Sun will today unveil what it claims is "the world's least expensive colour Risc workstation", a desktop computer that will sell in the US for $4,295 and outperform similarly priced personal computers.

Sun's new Sparc Classic also sets a target for Apple Computer's next generation of personal computers based upon IBM's PC Power Risc microprocessor.

Sun will launch its most powerful computer to date – a mainframe-class system for data centre applications that will eventually incorporate up to 20 processor modules working together, and from April, Sun will ship systems with up to eight modules.

H-P aims to maintain its performance advantage over competitors with a range of systems based on a new version of its Risc technology that set processing speed records while maintaining software compatibility with existing models.

Wendy Gramm to quit as head of CFTC

By Laurie Morse in Chicago

MRS Wendy Gramm, head of the Commodity Futures Trading Commission (CFTC), the US agency that oversees the burgeoning US futures and options markets, said yesterday she would join the flood of US officials departing Washington with Mr George Bush in January.

Speaking informally to reporters as she left a meeting in Washington, she said she would leave her post as CFTC chairwoman in January and retire from government.

News of her departure, coming less than a week after Mr Bush's defeat at the polls, caught the futures industry unawares, but is not surprising. A loyal appointee of Mr Bush and wife of a powerful Republican Senator from Texas, Mr Phil Gramm, Mrs Gramm found herself politically mispositioned and philosophically at odds with the incoming administration of Mr Bill Clinton.

Mrs Gramm, while likely to lose her position as chairwoman under Mr Clinton, had the option of continuing on as a CFTC commissioner until April 1995. Her departure will give Mr Clinton the opportunity to appoint three of the agency's five commissioners early in his term.

She was appointed to the post in 1988 after working in the Budget office of the Reagan White House, and found herself defending her agency and the futures industry from the fall-out from the October 1987 stock market crash.

Nearly her entire tenure at the CFTC was spent defending the agency in a battle with the Securities and Exchange Commission, the US securities watchdog, which was bidding for futures oversight, and with obtaining landmark legislation defining the CFTC's powers.

She successfully shepherded the CFTC reauthorisation bill through Congress in early September. Futures industry officials believe this will complete her legislative mission complete, and means she would have been ready to leave the CFTC even if Mr Bush had gained a second term.

Mr John Damgard, head of the Futures Industry Association, the Washington-based futures industry lobbying group, said: "Mrs Gramm has been an excellent chairman of the CFTC. She has steadfastly and consistently advocated free and open markets and encouraged competition."

Several names for possible successors have recently visited Washington, including at least two Democratic congressmen and a leading Democratic staffer at the agency.

TSD shares suspended on false data claim

By Emiko Terazono in Tokyo

TSD, a Japanese biotechnology and computer software company, triggered a plunge in biotechnology-related stocks on the Tokyo stock market yesterday, following an allegation that it had presented investors with false information concerning clinical tests of its HIV vaccine.

Shares in TSD, which are traded on Tokyo's over-the-counter market, were suspended on Friday by the Japan Securities Dealers Association after reports alleging that TSD was misinforming investors.

On the OTC market yesterday, TSD shares did not trade due to the lack of buyers, and closed at an offered price of Y2,320, down by a daily limit of Y400 from Thursday's close.

In August last year, TSD announced that clinical tests for its anti-HIV vaccine, co-developed with a professor of Yokohama City University, had begun in a Thai hospital on HIV positive patients.

TSD's stock surged, rising to a high of Y3,650 in September 1991 from a year's low of Y730 posted in April.

The rise in TSD's share price prompted a bulk of its convertible bonds worth SFr45m ($32.1m), issued in 1990, to be converted into equity.

Mr Tsutomu Matsuzaki, president of TSD, last Friday admitted that the company had yet to start the clinical tests since full approval from the Thai government had not yet been obtained.

However, he denied allegations of giving false information to raise TSD's stock price.

After the market closed yesterday, Mr Matsuzaki announced the Thai Public Health Ministry had approved clinical tests of TSD's vaccine, and the company was waiting for approval by the National Aids Committee.

The Aids theme was sparked by revelations last year that Meiji Milk Products, a dairy producer, had discovered a substance seemingly capable of killing the HIV virus inside the body.

Since then, brokers looking for a theme to drive up the market, embraced shares of companies which announced research for Aids cures.

Mr David Goldstein, who is the head of the clinical trials unit of the Australian National Centre in HIV Epidemiology and Clinical Research, said that clinical tests of Aids cures could take more than three to four years, until effectiveness is proven, while commercialisation of a cure may take even longer.

Marconi forms sales link with US company

MARCONI Instruments, a member of the UK-based GEC group, has established a strategic alliance with EIP Microwave of the US, a leader in the design and manufacture of microwave measuring equipment, writes Alan Cane.

Marconi will assume responsibility for worldwide sales and support of EIP microwave counters in some 100 countries outside North America from December 1. The alliance will take effect in the UK from April next year.

The deal will broaden Marconi's catalogue of microwave test and measurement equipment and the company is predicting a $4m increase in annual sales. Marconi already markets integrated microwave test sets, power meters and spectrum analysts.

Storage Technology shares tumble on system delay

By Louise Kehoe in San Francisco

STORAGE Technology's stock was down sharply yesterday when the company for the third time announced delays in the development of its much-anticipated Iceberg data storage system.

The stock suffered a 30 per cent fall to open at $22¼ on Monday, down from a $31¼ close on Friday. In heavy trading it rallied slightly to $23¾ at midday.

The company said it expected testing of Iceberg to extend into the second half of 1993 and was planning on only "limited revenue contribution from the product for the year". Originally, Iceberg installations had been expected to begin in the second quarter of 1992.

Iceberg was announced with a great fanfare last January as a technology breakthrough that would provide a fail-safe data storage system for mainframe computers. It is based upon the concept of linking an array of disk drives and duplicating data so that if one drive fails another will take over.

StorageTek said it continued to encounter delays due to the complexity of integrating the software and hardware of the Iceberg system.

However, it is optimistic about the prospects for the system. "Disk arrays are growing in importance at every level of computing," said Mr Ryal Poppa, StorageTek chairman, president and chief executive. "We continue to see Iceberg as defining the best of class and as providing unique capabilities that will prove difficult for others to replicate."

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

New reinsurance venture aims to fill catastrophe gap

By Richard Lapper

INTERNATIONAL investors are financing a $350m Bermuda-based venture which aims to take advantage of new opportunities in the catastrophe reinsurance market.

The Mid Ocean Reinsurance Company, sponsored by Marsh & McLennan, the insurance brokers, and J.P. Morgan, the US bank, begins underwriting next week.

The new company will work with international brokers to support risks lead by underwriters in the London market, particularly at Lloyd's, where capacity has been dented following a run of heavy losses.

Mr Ian Heap, Mid Ocean's president and chief executive, said the company had been set up "because the broker market for reinsurance was diminishing. The demand for the product was exceeding supply."

A number of reinsurers have withdrawn from the market and rates are rising, he added.

Mid Ocean will initially underwrite up to £10m ($15.50m) per risk, taking "lines" (or shares) of up to 10 per cent of reinsurance programmes. Mr Charles Skey, Mid Ocean's underwriter, has more than 30 years' experience at Lloyd's where he was widely regarded as an expert in catastrophe reinsurance.

Mid Ocean will underwrite from Bermuda but has a contact office at Lloyd's.

Marsh and Morgan are each investing more than $30m in the new company. Exel, a Bermuda-based insurer set up by US corporations in 1986 and formerly headed by Mr Heap, will invest a further $100m.

Other backers include Commercial Union, the UK insurer; Mr Richard Rainwater, a Texan investor; Bishop Estate of Hawaii; and Fund American Enterprises Holdings of New York.

The investors are expecting returns on capital of more than 20 per cent in the venture's initial years, according to Mr Heap.

Reinsurance premiums for catastrophe cover by UK and other European insurers rose sharply at the end of 1990 and increased again last year.

US insurers are expecting big increases following record losses after hurricanes Andrew and Iniki earlier this year.

Bermuda's low taxes and gentle regulatory environment make it an attractive location for "offshore" reinsurance and captive insurance companies.

Man with a mission to accentuate the positive

Citicorp's problems should be put into perspective, vice-chairman Dr Onno Ruding tells **Robert Peston**

DR ONNO Ruding is on a mission to explain. In his monthly trips to Europe, he is keen to put Citicorp's problems into perspective and to point out that the European operations of the US's biggest bank are proving surprisingly resilient.

The former Dutch finance minister has for the past eight months been Citicorp's vice-chairman, with responsibility for global finance activities, which provide financial products and advice to big companies.

His appointment surprised some bankers because he is not American and has spent much of his career in government. In the early 1970s, however, he was a joint general manager of the Dutch Amsterdam-Rotterdam Bank (now part of ABN Amro) and joined its board in 1981.

In an interview with the Financial Times, his positive message was that Citicorp's commercial banking operations, which serve big companies, are continuing to increase their share of the European market, according to an authoritative survey. The report shows the bank is strong in providing clearing services and in foreign exchange trading.

The strength of its London-based foreign exchange trading floor has been particularly valuable recently. The bank's most recent quarterly results included a $171m increase in foreign exchange revenues, which Dr Ruding said was partly attributable to the increased volume of business since Black Wednesday, September 16, when the UK withdrew from the European exchange rate mechanism.

But Citicorp's progress in Europe has been overshadowed by its problems in the US, which stemmed from its aggressive lending policy in the 1980s.

In October 1991, Citicorp, whose main subsidiary is Citibank, ceased payment of its dividend for the first time in its 179-year history after an $885m after-tax loss for the three months to 30 September. Its ratio of tier one or core capital to assets had slipped to 3.67 per cent, so the bank redoubled its efforts to cut costs.

There has been a recovery. In the third quarter of the current year, Citicorp announced a $116m profit and said the tier one ratio was 4.25 per cent. However, there was no resumption of dividend payments.

The losses in 1991 stemmed largely from commercial property loans which went bad. These losses have diminished, but Citicorp has recently faced rising consumer bad debts.

Dr Ruding said write-offs of property and commercial loans would probably fall to an average quarterly rate of between $400m and $450m next year, compared with $521m in the three months to 30 September. However, he added that consumer debt write-offs, which were $860m in the quarter, would continue "at a high level", although they would probably not rise any more.

He is concerned that the lending mistakes should not be repeated. "I have spent quite some time since I came here on the question of how to improve credit quality," he said. "There were not enough checks and balances [against imprudent lending] in that if you had line responsibility you had a high responsibility for new credits."

Onno Ruding: long-term loans now more tightly controlled

He said the bank had introduced new limits on what managers "can decide for themselves". The amount that a manager can lend on a short-term basis to triple-A rated companies – the most financially strong companies – without getting approval from senior executives has been increased, but long-term loans and loans to low-rated companies are more tightly controlled. Dr Ruding said it was also important that Citicorp's management committee should not "all the time give in to requests from managers [for permission to make a loan]".

He is also concerned that Citicorp's remuneration system encouraged managers to increase lending while not checking the quality of the loans sufficiently. "That was not good at Citicorp", he said. "It has now improved".

Nonetheless, US bank regulators have been taking a close interest in Citicorp. In February, the bank signed a memorandum of understanding (MOU) with the US Federal Reserve and the Comptroller of the Currency agreeing that they would monitor its affairs more closely.

The MOU committed Citicorp to increase its ratio of capital to assets significantly, which Dr Ruding said the bank was planning anyway. "We want a 6 per cent tier one ratio in 1994," he said. The MOU also prevented the bank from adding to its assets without the approval of the regulators.

"We are still in close touch with the regulators. They were understandably concerned about certain matters ... I am in full agreement myself with what they have said in the MOU," Dr Ruding said.

The need to seek approval from the regulators before adding to assets would be a constraint if Citicorp were planning "the purchase of a large organisation", he said. But, he added, such a move was not being contemplated: "We think we are big enough."

The disclosure of the regulators' close involvement in Citicorp's affairs was one rude shock for shareholders this year. The other was the resignation a month ago of Mr Richard Braddock, the Citicorp president who was widely viewed as a possible successor to Mr John Reed, the bank's chairman.

Dr Ruding said Mr Braddock's departure should not have been a surprise. "People have not followed [our affairs] sufficiently. The cornerstone of his resignation was laid in January this year with the reorganisation of top management, which meant that few executive vice-presidents were reporting to him any more."

At that time, Mr Braddock gave up responsibility for running retail banking operations to Mr Pei-yuan Chia. Mr Braddock then concentrated on cutting Citicorp's costs.

"His cost-cutting was completed successfully, but his previous job had been filled by Mr Pei-yuan Chia," Dr Ruding said. "You can't have two bosses [of consumer banking]."

The timing of Mr Braddock's departure was determined by Citicorp's attempts to raise $1.1bn of capital by the issue of preferred shares, or Percs. "You can't announce something like that [a resignation] during a stock issue," he said. However, Dr Ruding described Mr Braddock as "highly valuable". "I am pretty sure he will find a good job in the US".

On the other hand, some European and US bankers profess themselves surprised Mr Reed has kept his job through Citicorp's well-publicised problems. But Dr Ruding uttered a stout defence of Mr Reed.

"John had and has the full support of the board including the non-executives," he said. "He has also introduced a series of very important and comprehensive measures to correct and remedy a number of shortcomings.

"He took action in a very aggressive way which I think has worked well," he concluded. Citicorp's shareholders will probably only concur wholeheartedly when the bank resumes payment of its dividend.

Share price slump leads Tisco to postpone issue

By Shiraz Sidhva in New Delhi

TATA Iron and Steel (Tisco), India's largest private sector company, has postponed its $100m international equity issue to the middle of 1993.

This follows a slide in the steel maker's shares on Indian stock exchanges last week after it announced poor half-year results.

The company, which had been expected to lead up to 10 Indian companies seeking to raise capital via international issues, deferred its float because it feared its global depository receipts (GDRs) would not fetch more than Rs80 each this month.

Brokers said when the company's shares were buoyant, at around Rs400 last May, the company could have expected Rs350 per GDR. At the current low domestic price of Rs240 a share, the company would have to sell its GDRs at around Rs80.

Tisco said it was not short of foreign exchange, and would wait until its shares recovered before going ahead with the issue. Mr Ishaat Hussain, executive director for finance, said he was confident the company would eventually secure a good price for its GDRs.

Marginal borrowers could be crowded out, says OECD

By Brian Bollen

MARGINAL borrowers could be crowded out of the international capital markets by borrowing needs of sovereign and corporate issuers in OECD countries.

The considerable sums expected to be raised over the next few months could result in a flight to quality rather than a generalised tightening of borrowing terms, suggests the OECD in its latest Financial Market Trends publication.

Capital raising is still growing strongly: at $439bn, facilities arranged over the period January-September 1992 were 16 per cent higher than over the same period in 1991.

Until early summer, the main source of borrowing was the large-scale refinancing needs of sovereign and corporate borrowers. Since then, however, the need to replenish foreign currency reserves has given renewed urgency to the raising of foreign capital.

The demand for capital from borrowers in OECD countries was some $50bn higher than in 1991, accounting for 88 per cent of the total.

Demand for longer-term financing from Latin American issuers which have regained access to the private international markets is described as robust, totalling some $15bn, but there has been a slowdown in fund-raising by Asian and Middle Eastern borrowers.

While the equity-related bond market continued to suffer from the lack of investor interest in the wake of losses experienced since the middle of last year, placements of international equities grew rapidly to around $20bn to end-September, despite the turbulence in the major stock markets.

The international and foreign bonds markets have reverted to a period of more sustainable expansion.

New bonds issued in the first nine months of 1992 totalled $249bn, up 9 per cent from what was already a record level. New issuing activity grew by nearly 30 per cent in 1991.

Straight bond issues are up 12 per cent year on year, notwithstanding the recent sharp fall of new issues in several European currency sectors. The US dollar benefited most from the trend to reallocate funds in favour of safe haven currencies.

KOP seeks to strengthen its capital base

KANSALLIS-Osake-Pankki, Finland's largest commercial bank, yesterday indicated it might take further measures to strengthen its capital base when it said it was seeking shareholder authorisation for an equity or equity-related issue, writes Christopher Brown-Humes. This would enable KOP to raise up to FM743.75m ($149.2m), or 20 per cent of its share capital.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 9, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	65.2531	41.0973	52.7224
Albania	(Lek)	168.35	110.684	69.7101	89.4289
Algeria	(Dinar)	33.00	21.6962	13.6645	17.5298
Andorra	(Fr Fr)	8.1650	5.3681	3.3809	4.3373
	(Sp Peseta)	172.30	113.281	71.3457	91.5272
Angola	(Kwanza)	903.88	594.247	374.265	480.133
Antigua	(E Carr $)	4.1325	2.7169	1.7111	2.1952
Argentina	(Peso)	1.5225	1.0009	0.6304	0.8087
Aruba	(Florin)	2.7395	1.8011	1.1343	1.4552
Australia	(Aus $)	2.2065	1.4506	0.9136	1.1721
Austria	(Schilling)	16.9150	11.1209	7.0041	8.9853
Azores	(Port Escudo)	214.10	140.763	88.6542	113.732
Bahamas	(Bahama $)	1.5210	1	0.6298	0.8079
Bahrain	(Dinar)	0.5769	0.3792	0.2388	0.3064
Balearic Is	(Sp Peseta)	172.30	113.281	71.3457	91.5272
Bangladesh	(Taka)	59.80	39.3162	24.7619	31.7662
Barbados	(Barb $)	3.0785	2.0239	1.2747	1.6353
Belgium	(Belg Fr)	49.65	32.6429	20.559	26.3745
Belize	(B $)	3.0610	2.0124	1.2674	1.626
Benin	(CFA Fr)	408.25	268.409	169.048	216.866
Bermuda	(Bermudian $)	1.5210	1	0.6298	0.8079
Bhutan	(Ngultrum)	43.45	28.5667	17.9917	23.081
Bolivia	(Boliviano)	6.1830	4.065	2.5602	3.2844
Botswana	(Pula)	3.3960	2.2327	1.4062	1.8039
Brazil	(Cruzeiro)	12880.05	8468.15	5333.35	6841.99
Brunei	(Brunei $)	2.5050	1.6469	1.0372	1.3306
Bulgaria	(Lev)	43.00	28.2708	17.8053	22.8419
Burkina Faso	(CFA Fr)	408.25	268.409	169.048	216.866
Burma	(Kyat)	11.3075	7.4342	4.6821	6.0066
Burundi	(Burundi Fr)	343.72	225.983	142.327	182.587
Cambodia	(Riel)	3061.0	2012.49	1267.49	1626.03
Cameroon	(CFA Fr)	408.25	268.409	169.048	216.866
Canada	(Canadian $)	1.9185	1.2613	0.7944	1.0191
Canary Is	(Sp Peseta)	172.30	113.281	71.3457	91.5272
Cp. Verde	(CV Escudo)	95.8550	63.021	39.6915	50.9189
Cayman Is	(CI $)	1.3010	0.8553	0.5387	0.6911
Cent.Afr. Rep	(CFA Fr)	408.25	268.409	169.048	216.866
Chad	(CFA Fr)	408.25	268.409	169.048	216.866
Chile	(Chilean Peso)	572.60	376.463	237.101	304.17
China	(Renminbi Yuan)	8.5090	5.5943	3.5233	4.52
Colombia	(Col Peso)	955.50	628.205	395.652	507.57
CIS ‡	(Rouble)	0.9453o	0.6214	0.3914	0.5021
		618.85m	406.87	256.253	328.738
Comoros	(CFA Fr)	408.25	268.409	169.048	216.866
Congo (Brazz)	(CFA Fr)	408.25	268.409	169.048	216.866
Costa Rica	(Colon)	209.45	137.705	86.7287	111.262
Côte d'Ivoire	(CFA Fr)	408.25	268.409	169.048	216.866
Croatia	(Dinar)	760.05	500.23	315.052	404.17
Cuba	(Cuban Peso)	1.1590	0.7619	0.4799	0.6156
Cyprus	(Cyprus £)	0.7200	0.4733	0.2981	0.3824
Czechoslovakia	(Koruna)	43.93c	28.8823	18.1904	23.3359
		42.10n	27.6791	17.4327	22.3638
Denmark	(Danish Krone)	9.2250	6.065	3.8198	4.9003
Djibouti Rep	(Djib Fr)	268.00	176.2	110.973	142.364
Dominica	(E Carrib $)	4.1325	2.7169	1.7111	2.1952
Dominican Rep	(D Peso)	19.4065	12.759	8.0358	10.3088
Ecuador	(Sucre)	2980.65o	1959.66	1234.22	1583.35
		3061.00a	2012.49	1267.49	1626.03
Egypt	(Egyptian £)	5.00	3.2873	2.0703	2.656
El Salvador	(Colon)	13.6825	8.9957	5.6656	7.2682
Equat'l Guinea	(CFA Fr)	408.25	268.409	169.048	216.866
Estonia	(Kroon)	19.27	12.6692	7.9792	10.2363
Ethiopia	(Ethiopian Birr)	7.5810	4.9842	3.1391	4.027
Falkland Is	(Falk £)	1.00	0.6574	0.414	0.5312
Faroe Is	(Danish Kroner)	9.2250	6.065	3.8198	4.9003
Fiji Is	(Fiji $)	2.3810	1.5654	0.9859	1.2648
Finland	(Markka)	7.6410	5.0236	3.1639	4.0589
France	(Fr)	8.1650	5.3681	3.3809	4.3373
Fr. Cty/Africa	(CFA Fr)	408.25	268.409	169.048	216.866
Fr. Guiana	(Local Fr)	8.1650	5.3681	3.3809	4.3373
Fr. Pacific Is	(CFP Fr)	146.00	95.9894	60.4554	77.5564
Gabon	(CFA Fr)	408.25	268.409	169.048	216.866

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.7030	8.3517	5.26	6.7479
Germany	(D-Mark)	2.4150	1.5877	1	1.2828
Ghana	(Cedi)	747.2355	491.279	309.414	396.938
Gibraltar	(Gib £)	1.00	0.6574	0.414	0.5312
Greece	(Drachma)	316.05	207.791	130.87	[illegible]
Greenland	(Danish Krone)	9.2250	6.065	3.8198	4.9003
Grenada	(E Carr $)	4.1325	2.7169	1.7111	2.1952
Guadaloupe	(Local Fr)	8.1650	5.3681	3.3809	4.3373
Guam	(US $)	1.5210	1	0.6298	0.8079
Guatemala	(Quetzal)	8.0810	5.3129	3.3461	4.2926
Guinea	(Fr)	1243.20	817.357	514.783	660.398
Guinea-Bissau	(Peso)	7652.50	5031.23	3168.74	4065.07
Guyana	(Guyanese $)	192.05	126.266	79.5236	102.019
Haiti	(Gourde)	16.1470	10.616	6.6861	8.5774
Honduras	(Lempira)	9.0760	5.9671	3.7581	4.8212
Hong Kong	(HK $)	11.8640	7.8001	4.9126	6.3022
Hungary	(Forint)	124.25	81.6896	51.4492	66.0026
Iceland	(Icelandic Krona)	89.6005	58.9090	37.1016	47.5965
India	(Indian Rupee)	43.45	28.5667	17.9917	23.081
Indonesia	(Rupiah)	3156.75	2075.44	1307.14	1676.89
Iran	(Rial)	2250.0o	1479.29	931.677	1195.22
		100.75o	66.2393	41.7184	53.5192
Iraq	(Iraqi Dinar)	0.5936	0.3902	0.2457	0.3153
Irish Rep	(Punt)	0.9160	0.6022	0.3792	0.4865
Israel	(Shekel)	4.00	2.6298	1.6563	2.1248
Italy	(Lira)	2066.25	1358.48	855.59	1097.61
Jamaica	(Jamaican $)	36.12	23.7475	14.9564	19.1872
Japan	(Yen)	188.25	123.767	77.9503	100
Jordan	(Jordanian Dinar)	1.0336	0.6795	0.4279	0.549
Kenya	(Kenya Shilling)	54.45	35.7988	22.5465	28.9243
Kiribati	(Australian $)	2.2065	1.4506	0.9136	1.1721
Korea North	(Won)	3.2905	2.1633	1.3625	1.7479
Korea South	(Won)	1198.60	788.034	496.315	636.707
Kuwait	(Kuwaiti Dinar)	0.45735	0.3006	0.1893	0.2429
Laos	(New Kip)	1094.30	719.461	453.126	581.301
Lebanon	(Lebanese £)	2972.10	1954.04	1230.68	1578.8
Lesotho	(Maluti)	4.5875	3.0161	1.8995	2.4369
Liberia	(Liberian $)	1.5210	1	0.6298	0.8079
Libya	(Libyan Dinar)	0.4385	0.2882	0.1815	0.2329
Liechtenstein	(Swiss Fr)	2.1675	1.425	0.8975	1.1513
Luxembourg	(Lux Fr)	49.65	32.6429	20.559	26.3745
Macao	(Pataca)	12.2245	8.0371	5.0619	6.4937
Madagascar	(MG Fr)	2681.05	1762.69	1110.17	1424.2
Madeira	(Port Escudo)	214.10	140.763	88.6542	113.732
Malawi	(Kwacha)	6.5275	4.2915	2.7028	3.4674
Malaysia	(Ringgit)	3.8675	2.5427	1.6014	2.0544
Maldive Is	(Rufiya)	17.6235	11.5867	7.2975	9.3617
Mali Rep	(CFA Fr)	408.25	268.409	169.048	216.866
Malta	(Maltese £)	0.5003	0.3289	0.2071	0.2657
Martinique	(Local Fr)	8.1650	5.3681	3.3809	4.3373
Mauritania	(Ouguiya)	162.25	106.673	67.1842	86.1885
Mauritius	(Maur Rupee)	24.7165	16.2501	10.2345	13.1296
Mexico	(Mexican Peso)	4789.75	3149.08	1983.33	2544.36
Miquelon	(Local Fr)	8.1650	5.3681	3.3809	4.3373
Monaco	(French Fr)	8.1650	5.3681	3.3809	4.3373
Mongolia	(Tugrik)	61.22	40.2498	25.3498	32.5205
Montserrat	(E Carr $)	4.1325	2.7169	1.7111	2.1952
Morocco	(Dirham)	12.5550	8.2544	5.1987	6.6693
Mozambique	(Metical)	4200.15	2761.44	1739.19	2231.16
Namibia	(S A Rand)	4.5875	3.0161	1.8995	2.4369
Nauru Is	(Australian $)	2.2065	1.4506	0.9136	1.1721
Nepal	(Nepalese Rupee)	71.3670	46.9211	29.5515	37.9107
Netherlands	(Guilder)	2.7175	1.7866	1.1252	1.4435
N'nd Antilles	(A/Guilder)	2.7395	1.8011	1.1343	1.4552
New Zealand	(NZ $)	2.9153	1.9166	1.2071	1.5486
Nicaragua	(Gold Cordoba)	8.4635	5.5644	3.5045	4.4958
Niger Rep	(CFA Fr)	408.25	268.409	169.048	216.866
Nigeria	(Naira)	29.8450	19.6219	12.3581	15.8539
Norway	(Nor. Krone)	9.8000	6.4431	4.0579	5.2058
Oman	(Rial Omani)	0.5890	0.3872	0.2438	0.3128

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	38.50	25.3122	15.942	20.4515
Panama	(Balboa)	1.5210	1	0.6298	0.8079
Papua New Guinea	(Kina)	1.5050	0.9894	0.6231	0.7994
Paraguay	(Guarani)	2384.50	1567.72	987.371	1266.67
Peru	(New Sol)	2.47	1.6239	1.0227	1.312
Philippines	(Peso)	36.5790	24.0493	15.1465	19.431
Pitcairn Is	(£ Sterling)	1.00	0.6574	0.414	0.5312
	(NZ $)	2.9153	1.9166	1.2071	1.5486
Poland	(Zloty)	23316.0	15329.4	9654.66	12385.7
Portugal	(Escudo)	214.10	140.763	88.6542	113.732
Puerto Rico	(US $)	1.5210	1	0.6298	0.8079
Qatar	(Riyal)	5.5690	3.6614	2.306	2.9583
Reunion Is. de la	(F/Fr)	8.1650	5.3681	3.3809	4.3373
Romania	(Leu)	661.68g	435.03	273.98	351.49
Rwanda	(Fr)	222.50	146.285	92.1325	118.194
St Christopher	(E Carr $)	4.1325	2.7169	1.7111	2.1952
St Helena	(£)	1.00	0.6574	0.414	0.5312
St Lucia	(E Carr $)	4.1325	2.7169	1.7111	2.1952
St Pierre	(French Fr)	8.1650	5.3681	3.3809	4.3373
St Vincent	(E Carr $)	4.1325	2.7169	1.7111	2.1952
San Marino	(Italian Lira)	2066.25	1358.48	855.59	1097.61
Sao Tome	(Dobra)	367.30	241.486	152.091	195.113
Saudi Arabia	(Riyal)	5.7378	3.7723	2.3759	3.0479
Senegal	(CFA Fr)	408.25	268.409	169.048	216.866
Seychelles	(Rupee)	7.9125	5.2021	3.2763	4.2031
Sierra Leone	(Leone)	765.25	503.123	316.874	406.507
Singapore	($)	2.5050	1.6469	1.0372	1.3306
Slovenia	(Tolar)	144.00	94.6745	59.6273	76.494
Solomon Is	($)	4.5740	3.0072	1.8939	2.4297
Somali Rep	(Shilling)	4009.90	2636.36	1660.41	2130.09
South Africa	(Rand)	4.5875c	3.0161	1.8995	2.4369
		7.2670g	4.7777	3.0091	3.8602
Spain	(Peseta)	172.30	113.281	71.3457	91.5272
Spanish Ports in N Africa	(Sp Peseta)	172.30	113.281	71.3457	91.5272
Sri Lanka	(Rupee)	67.65	44.4773	28.0124	35.9362
Sudan Rep	(Dinar)	15.3050	10.0624	6.3374	8.1301
Surinam	(Guilder)	2.7320	1.7961	1.1312	1.4512
Swaziland	(Lilangeni)	4.5875	3.0161	1.8995	2.4369
Sweden	(Krona)	9.0450	5.9467	3.7453	4.8047
Switzerland	(Fr)	2.1675	1.425	0.8975	1.1513
Syria	(£)	32.1405	21.1311	13.3086	17.0733
Taiwan	($)	39.025	25.6574	16.1594	20.7304
Tanzania	(Shilling)	489.75	321.992	202.795	260.159
Thailand	(Baht)	38.65	25.4109	16.0041	20.5312
Togo Rep	(CFA Fr)	408.25	268.409	169.048	216.866
Tonga Is	(Pa Anga)	2.2065	1.4506	0.9136	1.1721
Trinidad/Tobago	($)	6.9640	4.5785	2.8836	3.6993
Tunisia	(Dinar)	1.3995	0.9201	0.5795	0.7434
Turkey	(Lira)	12355.55	8123.31	5116.17	6563.37
Turks & Caicos	(US $)	1.5210	1	0.6298	0.8079
Tuvalu	(Australian $)	2.2065	1.4506	0.9136	1.1721
Uganda	(New Shilling)	1823.15	1198.65	754.928	968.473
U A E	(Dirham)	5.6188	3.6941	2.3266	2.9847
United Kingdom	(£)	1.00	0.6574	0.414	0.5312
United States	(US $)	1.5210	1	0.6298	0.8079
Uruguay	(Peso)	5139.40	3378.96	2128.12	2730.09
Vanuatu	(Vatu)	176.10	115.779	72.9192	93.5458
Vatican	(Lira)	2066.25	1358.48	855.59	1097.61
Venezuela	(Bolivar)	118.10	77.6462	48.9026	62.7357
Vietnam	(Dong)	16613.50	10922.7	6879.3	8825.23
Virgin Is-British	(US $)	1.5210	1	0.6298	0.8079
Virgin Is-US	(US $)	1.5210	1	0.6298	0.8079
Western Samoa	(Tala)	3.7575	2.4704	1.5559	1.996
Yemen (Rep of)	(Rial)	25.2535	16.6032	10.4569	13.4148
Yemen (Rep of)	(Dinar)	0.7115	0.4677	0.2946	0.3779
Yugoslavia	(New Dinar)	306.10	201.249	126.749	162.603
Zaire Rep	(Zaire)	2384000.0	1567390	987164	1266401
Zambia	(Kwacha)	336.70	221.368	139.42	178.858
Zimbabwe	($)	8.2495	5.4237	3.4159	4.3822

Special Drawing Rights November 6, 1992 United Kingdom £0.904698 United States $1.39025 Germany D Mark 2.20494 Japan Yen171.001
European Currency Unit Rates November 9, 1992 United Kingdom £0.808571 United States $1.23711 Germany D Mark 1.96924 Japan Yen153.031

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5
Monday, November 9, 1992

INTERNATIONAL CAPITAL MARKETS

Gilts rise on hopes for positive Autumn Statement

By Sara Webb in London and Patrick Harverson in New York

UK GOVERNMENT bond prices rallied across the yield curve yesterday, buoyed by hopes of a cut in the base rate and a bond-positive Autumn Statement on Thursday.

The market opened on a strong note, helped by speculation in the weekend press that the next cut in the base rate

GOVERNMENT BONDS

could be between 1.5 and 2 percentage points. Gilts ended between ⅛ and ¼ of a point higher on the day in the cash market, after some profit-taking.

Volume in the futures market was relatively low at about 19,000 contracts. The Liffe contract opened at 102.04 and reached a high of 102.12, before falling to end the day at 101.31. In the cash market, the 9 per cent gilt due 2008 climbed from 103⅔ to 104.00 to yield 8.53 per cent, while the 10 per cent gilt due 1994 rose from 105⅝ to 105⅔.

The strong rally enabled the Bank of England to sell some of its latest tap stock, the 8 per cent gilt due 2009.

The Bank announced £1bn of the stock for sale on Friday afternoon and dealers estimated that more than half of the stock was sold yesterday.

■ US TREASURY prices were mixed in directionless trading yesterday, with shorter dated securities weaker following the three-year note auction but longer dated bonds steady-to-firmer.

In late trading the benchmark 30-year government bond was up ⅛ at 94⅓, yielding 7.743 per cent. The two-year note was lower, however, down ¼ at 99⅛, yielding 5.534 per cent.

Trading throughout the day was dominated by manoeuvring before and after the Treasury's sale of $15.5bn three-year notes. Prices at the short end eased initially as some investors moved out of the three-year in an attempt to nudge the yield higher and to prepare for the new supply.

The auction subsequently proved marginally disappointing, with only lacklustre demand for the new paper.

The issue was sold at an average yield of 5.17 per cent, and the cautious tone of the sale is likely to keep prices soft ahead of the upcoming 10-year note and 30-year bond auctions.

■ JAPANESE government bond futures rallied strongly as yesterday's large fall in the stock market helped to revive hopes of an interest rate cut.

The December futures contract climbed to a high of 107.80, from its opening level of 107.29, with the market performing strongly in the afternoon.

The Nikkei stock index ended 452.76 points – or 2.68 per cent – lower than Friday's finish at 16,417.05, on the back of poor corporate results and political worries.

The current political preoccupation with the Sagawa Kyubin bribery scandal is delaying the implementation of the supplementary budget, dealers said.

They added that if the delays continued, the combination of the worsening economic climate and inability to move on the fiscal front could put pressure on the Bank of Japan to cut the official discount rate.

In the cash market, the yield on the benchmark No 145 opened at 4.73 per cent and reached 4.64 per cent before closing at 4.65 per cent.

■ FRENCH government bonds slipped about a quarter of a point in the afternoon, as some US investors took profits in relatively thin trading.

The December bond futures contract on the Matif exchange ended the day at around 110.80, down from 111.04.

Longer-dated bonds lost ground, but short-dated issues remained relatively firm, dealers said.

■ GERMAN government bonds ended firmer after trading in a narrow range.

The Liffe bund futures contract moved from a low of 91.46 to a high of 91.63, and ended the day at around 91.57.

While 10-year bund futures ended firmer, the five-year bund contract edged lower, reflecting some profit-taking after last week's rally in the medium-dated sector. As a result the yield curve flattened slightly.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.7254	-	8.81	8.35	8.73
BELGIUM		8.750	08/02	105.1800	0.200	7.95	8.16	8.35
CANADA *		8.500	04/02	103.2300	+0.350	8.01	7.29	7.38
DENMARK		9.000	11/00	101.8750	-0.220	8.67	8.90	9.50
FRANCE	BTAN	8.500	03/97	102.0198	0.140	7.90	8.11	8.64
	OAT	8.500	11/02	102.7350	-0.260	8.08	8.17	8.48
GERMANY		8.000	07/02	104.7420	0.397	7.30	7.39	7.43
ITALY		12.000	05/02	94.0150	0.210	13.55†	13.60	14.57
JAPAN	No 119	4.800	06/99	101.1168	0.256	4.56	4.61	4.72
	No 145	5.500	03/02	105.5784	0.513	4.65	4.69	4.86
NETHERLANDS		8.250	06/02	104.7800	0.200	7.53	7.57	7.71
SPAIN		10.300	06/02	87.6500	-	12.55	12.70	13.27
UK GILTS		10.000	11/96	110-28	+13/32	6.86	7.18	8.36
		9.750	08/02	111-13	+15/32	8.04	8.24	8.98
		9.000	10/08	104-01	+8/32	8.53	8.82	9.23
US TREASURY *		6.375	08/02	[illegible]	-1/32	6.97	6.61	6.58
		7.250	08/22	94-11	+8/32	7.73	7.42	7.38
ECU (French Govt)		8.500	03/02	[illegible]	-0.200	8.81	8.82	9.28

London closing *New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT FIXED INTEREST INDICES

	Nov 9	Nov 6	Nov 5	Nov 4	Nov 3	Year ago	High *	Low *
Govt Secs (UK)	95.39	95.01	94.59	93.86	94.00	89.96	95.39	86.11
Fixed Interest	109.66	109.14	108.66	107.86	107.73	98.57	109.66	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 109.66 (9/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2
Gilt Edged Bargains	249.2	228.6	236.1	256.3	250.9
5-Day average	244.0	247.9	251.1	251.5	239.9

* SE activity indices rebased 1974

Accounting board retreats over asset securitising changes

By Richard Waters and Andrew Jack

ACCOUNTING regulators in the UK have backed down on proposed rules that could have stopped banks and companies from securitising assets.

However, the proposals from the Accounting Standards Board (ASB) still contain rules which some claim will put UK institutions at a disadvantage when trying to sell asset-backed bonds, and which could make it impossible to securitise credit card receivables.

The ASB proposed last year that all securitised assets – where a bank or other entity passes assets to a special purpose vehicle, which then issues bonds against them – should remain on the originator's balance sheet, removing a significant attraction of such arrangements.

The proposal caused particular problems for banks, since under EC rules they are assessed for capital adequacy purposes on all the assets that appear on their balance sheets.

Yesterday, the ASB announced a change which, while still requiring companies to record securitised assets on their balance sheets, would allow them to show also the amount of non-recourse finance linked to the assets. This would leave them with a net asset figure reflecting only the residual risk left with the company from a securitisation.

The ASB said it had received 60 submissions from interested parties, which had indicated strong views both for and against its first proposal.

Barclays and National Westminster, whose securitisation plans had been thrown into doubt by the original ASB proposal, welcomed the change.

Mr Malcolm Veale, head of securitisation at NatWest, said that the new approach would also make it easier for listed companies which have considered securitising their assets but been put off by the accounting treatment.

However, the ASB's proposal would still require most issuers to show 10 per cent of the value as net assets on their balance sheets. This reflects the option that issuers usually retain to buy back the bonds when the amount outstanding shrinks to less than 10 per cent of the amount first issued, thereby reducing their administration costs. Also, the proposals for the way bonds backed by credit card receivables should be repaid will make it more cumbersome to administer such issues.

Judgment reserved on planned Finnish $1bn issue

By Brian Bollen

THE trick is picking the right moment. That is the message to the Republic of Finland from bankers digesting the announcement of its proposed $1bn global bond issue.

Full judgment will be reserved until details are settled, but the degree of shoulder

INTERNATIONAL BONDS

shrugging could be taken to indicate a hint of sovereign fatigue in a market which has been awash with actual and rumoured jumbo sovereign borrowings.

The news that Finland plans to issue a minimum $1bn of global bonds for distribution in Europe, Asia and north America at least removed some uncertainty.

Finland has a heavy borrowing programme and is eager to diversify its borrowing base.

A global dollar issue is seen as a good way of accessing the US domestic market in what should be its last major external financing of the year.

Details of the exact amount, scheduling and maturities of the notes to be issued remain to be settled in discussions with the banks which won the mandate, Merrill Lynch, J.P. Morgan Securities and Nomura International.

Late yesterday, bankers were placing their bets on five-year paper offering 75 to 80 basis points over comparable US Treasuries.

This is being hailed as the first sovereign global issue in a sector largely dominated by the World Bank and Canadian provincial borrowers. It is also Finland's first issue targeted at the US since it launched its last Yankee bond issue in March 1988.

Mr Veikko Kantola, Finland's director of finance, who was involved in the World Bank's first global issue as a member of its board, says he has since closely followed the experiences of other borrowers in this market.

He says: "The results have been favourable for the borrower and also for the investor, who has an issue that is liquid and movable between the international markets."

Mr Kantola believes that a single global issue will work out cheaper in terms of all-in costs than two separate smaller Euro and Yankee bonds. This is the first time Finland has announced its borrowing plans in advance, says Mr Kantola. "When the deal is more sizeable it gives the market more time to swallow the idea."

Despite this year's borrowing activity, Finland's debt burden is still, he argues, relatively light. It is now approaching 30 per cent of gross national product compared with just under 20 per cent at the start of the year, and Mr Kantola expects it to peak at just over 40 per cent. Next year's borrowing requirement will be broadly similar to this year's at around $12bn to $14bn, to be split approximately equally between foreign and domestic borrowing.

Meanwhile, French francs saw another issue launched to tap international demand for the currency. The FFr1bn five-year bond from Banque Nationale de Paris was said to be fairly priced at 50 basis points over the comparable OAT. The issue is fungible with BNP's recent FFr1.5bn issue.

Deutsche Bank, which led the Inter-American Development Bank's latest D-Mark offering, said that at DM500m the 10-year bond was small enough to launch using the traditional German structure rather the fixed-price reoffer system.

Bankers claiming that there is now potentially strong demand for sterling assets noted that the £100m five-year issue from Leeds Permanent Building Society suffered in comparison with last Friday's £200m bond from Halifax Building Society on credit grounds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Banco Real(a)	50	10	99	1995	1½/¼%	ABN Amro
Banca Cremi(a)	50	9	98.85	1995	1¼/¼%	Merrill Lynch Int.
D-MARKS						
Inter-American Dev.Bank	500	7.5	102	2002	1¾/1⅛%	Deutsche Bank
STERLING						
Leeds Permanent Bldg.Soc.	100	7.5	100.74	1997	1⅞/1.58%	SG Warburg Secs.
FRENCH FRANCS						
BNP(b)	1bn	8.625	102.285	1997	1⅞/1.575%	BNP Cap.Mkts.
GUILDERS						
Abdij National First Capital	200	8	101.30	2002	1/⅛%	SBC Nederland
SWISS FRANCS						
Dentsu Holdings(c)‡★★	40	(c)	101.1	1997	-	DKB(Schweiz.)

Final terms and non-callable unless stated. ★★Private placement. ‡Floating rate note. a) Coupon payable semi-annually. b) Fungible with FFr1.5bn issue launched on 22/10/92. c) Coupon pays 35bp over 6-month Libor.

Midland pulls out of sterling CP market

By Richard Waters

MIDLAND Bank yesterday pulled out of the sterling commercial paper (CP) market, signalling further concentration in a market already dominated by its rivals BZW and National Westminster.

"We've had a thorough review of this area and concluded that we can't generate a sufficient return out of it to make it worth carrying on," Midland said.

The bank began dealing when the sterling commercial paper market opened in 1986, and had become the third most active bank in the area.

However, the sector has never developed as strongly as some other areas of the Euro-CP market, leading to a succession of withdrawals – including those of S. G. Warburg and Kleinwort Benson, the UK merchant banks – in recent years.

This year, the amount of paper outstanding in the market has remained generally flat, at between £4.1bn and £4.8bn ($6.35bn-$7.44bn).

Mr David Knight, head of CP at BZW, said Midland's withdrawal would not undermine the sterling CP market. "We're still very much committed to it," he said.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 9

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	72	0	7
Other Fixed Interest	12	0	3
Commercial, Industrial	235	269	916
Financial & Property	148	124	531
Oil & Gas	11	20	53
Plantations	2	0	7
Mines	31	30	84
Others	33	51	52
Totals	544	494	1,633

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Nov 9
- Last Dealings Nov 20
- Last Declarations Feb 11
- For settlement Feb 22

3-month call rate indications are shown in Saturday editions.

Calls in: AMEC, Betterware, Coronation Synd., Enterprise Comp., FNFC, Quadrant, Ratners, Spring Ram and Tiphook. Puts in: Betterware, Ratners, Sleepy Kids and Unigate. Puts & Calls in: Enterprise Comp., Spring Ram, Utd. Energy and Vickers.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

FT-SE Index Calls 4,837 Puts 1,493
Euro FT-SE Calls 78 Puts 26
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Nov 9	Day's change %	Fri Nov 6	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	129.20	+0.27	128.85	1.80	10.99
2	5-15 years (25)	147.77	+0.37	147.23	2.02	11.85
3	Over 15 years (8)	154.13	+0.32	153.64	2.25	10.57
4	Irredeemables (6)	172.75	+0.67	171.59	0.38	13.45
5	All stocks (61)	143.81	+0.33	143.33	1.98	11.64
	Index-Linked					
6	Up to 5 years (2)	184.33	+0.04	184.26	0.43	3.68
7	Over 5 years (10)	169.29	+0.11	169.11	0.97	4.04
8	All stocks (12)	170.12	+0.10	169.95	0.90	3.96
9	Debs & Loans (62)	124.19	+0.31	123.81	2.15	10.48

AVERAGE GROSS REDEMPTION YIELDS

			Mon Nov 9	Fri Nov 6	Year ago (approx.)
	British Government				
1	Low	5 years	6.80	6.88	8.44
2	Coupons	15 years	8.11	8.14	9.46
3	(0%-7¾%)	20 years	8.39	8.42	9.47
4	Medium	5 years	7.11	7.21	9.63
5	Coupons	15 years	8.48	8.52	9.58
6	(8%-10¾%)	20 years	8.73	8.76	9.55
7	High	5 years	7.35	7.46	9.84
8	Coupons	15 years	8.78	8.80	9.66
9	(11%-)	20 years	8.90	8.91	9.60
10	Irredeemables (Flat Yield)		8.74	8.69	9.67
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.31	2.31	3.82
12	Inflation rate 5%	Over 5 yrs	3.67	3.68	4.24
13	Inflation rate 10%	Up to 5 yrs	1.56	1.56	3.23
14	Inflation rate 10%	Over 5 yrs	3.50	3.51	4.07
15	Debs &	5 years	8.71	8.72	11.31
16	Loans	15 years	9.73	9.76	11.13
17		25 years	9.96	9.99	10.95

Betterware leaps to £6.3m in first half

By Jane Fuller

WHILE UK shoppers remain tight-fisted in the high street, Betterware has discovered a way to unlock spending from the home.

The door-to-door distributor of household goods more than doubled pre-tax profits from £2.81m to £6.3m, on turnover of £29.4m, in the 28 weeks to September 12.

Sales in the home shopping division went up £8.3m to £23m, with operating profit showing a sharp improvement to £5.85m.

Mr Andrew Cohen, chief executive, said the group was filling a gap left by the hardware shops that had disappeared over recent years. Although superstores offered household goods, the items tended to get lost on their shelves.

Betterware increased its street-by-street penetration, helped by a sophisticated computerised mapping system, as its army of self-employed sales people grew from 7,000 to 9,000.

Mr Cohen, whose family owns 60 per cent of the company, said the average amount each customer spent at a time had increased from £7 to more than £8, reversing a downward trend from £9 three years ago. He attributed this to a larger catalogue that improved presentation of the 411 products.

With fixed costs kept down – the company only employs 180 people directly and suppliers hold most of the stock – a good proportion of additional turnover filtered down to the bottom line. Economies of scale also assisted as the print run for catalogues rose from 9m to 13m and buying power improved for raw materials.

Its recently acquired French operation, accounting for less than 2 per cent of sales, was expected to move into profit in the second half.

The group nearly doubled net cash to £8.8m during the half-year, with the help of a deferred payment for land. Interest received trebled to £301,000. It plans to invest £9m in a new distribution centre over the next two years.

Betterware's other division, a miscellany of consumer products manufacture and coffee shops, suffered from recession, with operating profit sliding from £302,000 to £140,000 on flat sales of £6.4m.

Earnings per share rose from 1.95p to 4.29p. The interim dividend is increased from 0.34p to 0.5p.

COMMENT

Betterware's trend-trouncing performance added another 4p to its share price, driving it to a new high of 172p. Its market value has multiplied more than six times in the past two years to £175m. A prospective p/e of 21, on its broker Smith New Court's full-year prognosis of £12.5m, gives the company a well-deserved premium. The momentum built up in the UK market and first fruits from France lie behind a forecast that profits will gain another third next year. Looking ahead, Mr Cohen remains eloquent on the subject of intensifying coverage of the UK, but diminishing returns must set in. Then success in transferring the formula abroad will be crucial and the jury has not even left the court on that one. With Betterware sporting a Cadburyesque interim statement, complete with cash flow statement and accountants' review, it is all dressed up to face scrutiny from retail analysts as it graduates from small company status. Potential buyers should wait to see what a fresh set of critics make of it.

UB takes control of Wiltshire Brewery

By Richard Gourlay

UB Group, India's largest brewer and distillery group, has taken management control of The Wiltshire Brewery which it plans to develop into a significant UK drinks company.

Wiltshire, which brews only about 3,000 barrels a year of beers like Old Grumble and Stonehenge, has paid £6.7m to expand its estate from 40 to 77 pubs after UB's refinancing.

Mr Vijay Mallya, UB chairman, will become executive chairman of Wiltshire and his family will take a 15.5 per cent interest in the group.

"It is is a unique opportunity to get into distribution of spirit and beer products in the UK," said Mr Mallya. "UB has long talked about the globalisation of its interests in India."

As part of the deal, Bass, the UK brewery group, takes an 8.6 per cent stake through conversion of £700,000 of debt. It has also extended what Wiltshire calls a favourable new supply agreement.

The new pubs are being financed partly through a £4.77m subscription of new shares, subject to clawback for existing Wiltshire shareholders, and a share placing with Mr Mallya and UB.

Of the acquired pubs, 28 come from a portfolio of foreclosed properties held by Allied Irish Bank Properties while two are being sold by Bank of Ireland Properties. Bank of Ireland Corporate Finance is advising Wiltshire.

UB currently has a limited presence in the UK, distributing Kingfisher lager through a joint venture with Shepherd Neame.

Wiltshire will move its brewing operations from sites in Stourbridge and Tisbury and consolidate them in a premises leased from UB group near its UK headquarters in Buckingham. Consideration for this lease is being satisfied by 1.8m shares.

Mr Mallya said he plans to increase the tenanted estate to more than 100 pubs within six months.

"When UB started in India it was one brewery, today it has 10; it was one distillery and now it has 26," said Mr Mallya. "The focus is not just distribution, it is the development of a drinks business."

UB is India's seventh largest corporate conglomerate.

Getting ready for take-off

Gatwick expects a boost from the Dan-Air deal, reports Paul Betts

BAA, the privatised airport group, is expecting to see London's Gatwick airport stage a revival following the recent takeover of Dan-Air, the airport's single biggest operator, by British Airways.

Long regarded as a poor relation to Heathrow, which continues to account for about three quarters of BAA's group profits, Gatwick has suffered during the past two years not only from the recession but from the government's decision to scrap its London air traffic distribution rules, the collapse of Air Europe and now the demise of Dan-Air.

Big international airlines have taken advantage of the removal of London air traffic restrictions to transfer all or a large portion of their operations from Gatwick to Heathrow. The lack of a dense network of connecting flights has made it hard for carriers to operate a profitable scheduled network out of Gatwick. And the lingering recession has inevitably had a dampening effect on the airport's charter business.

But it has been the lack of a strong national carrier underpinning the airport's business which has been at the heart of Gatwick's problems. "The strong commitment of a major carrier at an airport is an incalculable advantage," said BAA.

Even after its takeover of British Caledonian five years ago, BA continued to adopt a half-hearted approach to Gatwick, concentrating most of its efforts in developing its profitable operations out of its main Heathrow hub. But BA has now clearly indicated its intention to develop a new low-cost short-haul airline operation at Gatwick, amalgamating the former Dan-Air scheduled operations it is absorbing with its own short-haul operations.

Colin Beere

Sir John Egan (left) and Brian Smith, the BAA chairman, pictured before announcing the interim results yesterday

BAA believes this new short-haul airline subsidiary being set up by BA will give Gatwick the boost it has been seeking. Sir John Egan, BAA's chief executive said yesterday: "It is clear that over the years scheduled operators have found it difficult to operate viable short-haul networks out of Gatwick, but we believe that such short-haul routes are important to the successful development of the whole airport."

"The worldwide marketing strength of BA offers the best chance of fully developing the available runway and terminal capacity at the airport," he added.

BA's takeover of Dan-Air has been fiercely criticised on anti-competitive grounds by other UK independent airlines including Virgin Atlantic, British Midland Airways, Air UK and Britannia. But none have the same marketing muscle required to revive Gatwick, according to BAA and many other airline industry analysts.

Although BA is not taking over Dan-Air's charter business, which is being shut down, and is picking up directly only about 70 per cent of its scheduled operations, BAA expects the merger to boost in the longer term overall traffic at Gatwick. It also believes the new BA operation will ultimately provide greater opportunities at Gatwick for airline passenger transfer business which already accounts for one third of total activity at Heathrow.

BAA expects Dan-Air's charter services to be picked up quickly by other charter operators as was the case with Air Europe after it failed two years ago. The process is not likely to be as swift for the Dan-Air scheduled services which BA is not taking over.

Avonmore Foods expands

By Maggie Urry

AVONMORE FOODS, the acquisitive Kilkenny-based dairy and meat products company, is buying two liquid milk businesses in the UK, for a total of £11.4m.

The acquisitions will add 17m gallons a year of liquid milk to Avonmore's sales in the UK, taking it to nearly 50m gallons.

The companies being acquired are Churchfields Dairies, based in Salisbury, Wiltshire, for which Avonmore is paying £6.15m, and Tom Parker Dairies, of Fareham, Hampshire, costing £5.25m. Avonmore plans to integrate the operations with its existing milk business.

The milk is sold both door to door and through supermarkets. Mr Pat O'Neill, group managing director, said the acquisitions would "enhance our presence with major national multiples".

Avonmore is paying £5m cash immediately with the balance due by November next year. Total net assets being acquired are £3.98m.

Churchfields made a pre-tax profit of £510,000 in the nine months to March 31 this year, while Parker made £600,000 in the year to September 30 1991.

Renold returns to black with £0.8m

By Angus Foster

RENOLD, the chain and gear maker, yesterday reported a return to profit at the interim stage, but said trading conditions remained tough.

Pre-tax profits amounted to £800,000 for the six months to October 3, compared to losses of £1.5m last time.

Mr John Allan, finance director, said the improvement was due to cost and efficiency gains in the last two years. Employee numbers have been cut by about 20 per cent to 2,900, and a capital expenditure programme launched in 1989 is largely complete.

Turnover fell 3 per cent to £58.4m, although Mr Allan said order levels for the year to September had improved.

The chain division was helped by strong automotive and transmission chain sales. Gear products were weak, despite new product launches.

UK orders improved, mainly in the chain division. The company expects volume and margin improvements for UK exports following sterling's fall in value. But Germany continued to weaken.

Trading profits were £1.8m (£400,000 loss). Interest costs were slightly higher at £1m (£900,000) after net borrowings increased £2m to £14.7m, giving gearing of 38 per cent.

Capital expenditure, which fell from £11.6m to £5m last year, was expected to fall further to £3m this year.

Earnings per share were 0.7p (losses of 2.6p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Adam & Harvey	int	5	Jan 7	5	-	11
BAA	int	5.25	Jan 25	5.75	-	14.5
Betterware	int	0.5	Jan 4	0.34*	-	1.224*
BMSS §	int	nil	-	2	-	4.7
Henderson Admin	int	12.5	Jan 11	12.5	-	41
Prowting	int	1.7	Dec 17	1.7	-	5
Regent Inns	fin	2‡	Jan 8	1.5	2	1.5
Wardle Storeys	fin	12	Jan 7	12	18	16

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On increased capital. §USM stock. ‡Stock traded under Rule 535 (2).

Dana Exploration

Dana Exploration reported pre-tax losses of I£2.4m (£2.6m) against I£89,000 for the year to end-January after provisions of I£2.31m (I£25,000). Losses per share were 30.37p (1.12p).

Henderson falls 26% to £6.5m

By Norma Cohen, Investments Correspondent

HENDERSON Administration, the UK fund management group, reported a 26 per cent drop in pre-tax profits to £6.5m for the six months to September 30 against £8.8m.

The fall reflected a further shrinkage in assets under management, a drop in interest income and a slight increase in operating margins.

The interim dividend is maintained at 12.5p.

The company said the outlook for the second half of the year was "unpredictable" but added that longer term prospects remained good.

Mr Jeremy Edwards, managing director, said the company was close to finalising terms for its planned acquisition of Touche Remnant, the investment trust managers, from Société Générale, the French bank.

Mr Edwards said the entire acquisition is to be financed from cash, saying talks are underway to integrate the staff of the two firms.

Henderson is reported to be paying close to £40m for Touche Remnant, to be offset by about £15m cash on Touche Remnant's balance sheet. Henderson will consider merging some of its smaller unit trusts with Touche Remnant's after the purchase and merger of some support operations.

Assets under management to September 30 eased to £7.28bn from £7.35bn at the end of March 1992, reflecting lower investment returns and the loss of two pension fund clients, Mr Edwards said.

However, he said the loss of pension fund clients over the past few years had almost ground to a halt. While investment performance for the first two quarters of 1992 had been below average, investment returns for the third quarter had been sufficient to raise performance above the market median.

Improved investment performance, he added, should enable the firm to resume attracting pension fund clients.

Eurolec purchase will strengthen product and technology portfolio

By Paul Taylor

EUROLEC, the London-based European joint-venture of General Electric of the US and Britain's GEC, is to acquire Agut, a family-owned electrical control products manufacturer based in Tarrasa-Barcelona, Spain.

Agut, which makes contractors, power electronics and electrical relays used for electricity distribution, has annual sales of more than $40m (£26m). Terms of the agreement, which is expected to be completed by the year end, were not disclosed.

The acquisition is designed to strengthen Eurolec's product and technology portfolio in the global market for electrical control products. It will also enhance the joint venture's market position in Spain.

Mr Alan Clark, managing director, said the acquisition represented "a significant step in Eurolec's strategy of offering customers a broad range of world-class products that control and distribute power."

Eurolec, formed in 1989, has annual sales of about $500m and operating units in France, Belgium, Italy, Portugal and Spain.

Harmony's rebels confident

By Tim Burt

REBEL SHAREHOLDERS at Harmony Leisure predicted they would take control of the loss-making pubs and restaurants group following a heated annual meeting yesterday.

The dissidents said their campaign to oust Harmony's executive directors was boosted when two companies with substantial shareholdings expressed dismay at the managing director's refusal to make a statement on the group's performance.

Both Queens Moat, the hotel group which has a 14.5 per cent stake, and Southend Property Holdings which owns 4 per cent, asked Mr Stanley Lever, Harmony managing director, to make a statement on the company's prospects. He refused.

The two companies urged the board to release its interim figures ahead of the November 26 extraordinary meeting requisitioned by the the rebels.

Queen's Moat expressed concern that the accounts had been qualified because Barclays, Harmony's bankers, made it a condition of its facilities that Mr Lever remained on the board and that borrowings were cut.

Prowting shares hit by warning of dividend cut

By Andrew Taylor, Construction Correspondent

SHARES OF Prowting, the Middlesex-based builder, yesterday fell from 82p to 71p after the company warned that it planned to cut its final dividend by almost half.

The company, which builds "everywhere south of Birmingham", announced that it had made only £119,000 pre-tax profit during the six months to end-August, compared with profits of £3m last time.

A £600,000 increase in interest charges to £2.4m was only part of the reason for the setback.

House sales rose during the half from 131 to 154 units but margins were under severe pressure with average prices falling from £103,00 to £86,000.

Losses per share of 0.3p compared with earnings last time of 2.7p.

Mr Terry Roydon, chief executive, said the company was maintaining the interim dividend at 1.7p. It was thought prudent, however, given continuing difficulties in the housing market to give shareholders early warning that it proposed cutting the final from 3.3p to 1.7p, reducing the total for the year to 3.4p (5p).

Mr Roydon was more optimistic, however, that a recovery in the housing market might get underway in the New Year, led by lower interest rates which, he said, could fall to 6 per cent.

Most ingredients for a recovery were in place, particularly if the government announced plans to allow local authorities to buy repossessed homes for rent, said Mr Roydon.

This would not help the group in the current financial year when it was expected that even the proposed reduced final dividend would have to be financed out of reserves.

Borrowings, which peaked in the spring at £42m, have since fallen to £33.5m.

Gearing, at 59 per cent at the end of last year, is expected to fall to about 50 per cent by the year end.

● COMMENT

Prowting's strength is its land bank of 5,300 plots with planning permission or zoned for housing, equivalent to more than 15 years' supply at current production rates. The average plot cost of £12,700 is one of the lowest in the sector. This should stand the group in good stead when the housing market ultimately recovers. However, there are less heavily borrowed builders with similar plot costs. Trading, however, remains difficult. The group will do well to break-even this year and recovery, when it occurs, is likely to be slow. A yield of almost 6.5 per cent may not be enough to attract buyers for this tightly-held stock.

Puzzled by the appliance of science

Richard Gourlay looks at Morgan Crucible's rather confusing acquisition policy and a proposed purchase that will boost the materials technology group's position in the US ceramics market

BARRING SLIPS, Morgan Crucible, the materials technology group, is to bring another company into the fold.

Morgan is about to pay $2.3m (£1.48m) to buy assets from Frenchtown Ceramics, a subsidiary of Stackpole Corporation of Massachusetts. Frenchtown will add technology and market position to the group's US technical ceramics business, Morgan tells us.

Like many of Morgan's previous 25 acquisitions in the last six years, the Stackpole purchase is destined to be less than perfectly understood.

Such has been the proliferation of deals, that even diligent investors can be forgiven for losing sight of what exactly Morgan makes and what it is going to do next.

Mr Bruce Farmer, the gritty chief executive from Birmingham with a doctorate in material science, is the first to accept that Morgan Crucible is not the best understood company.

And yet, the formula – exploitation of the properties of materials in new markets and new products – has given Morgan a manufacturing position in 37 countries, sales in 83 more and one of the UK's more enviable currency profiles since the recent devaluation of sterling.

With a market capitalisation of £575m and profits – if not earnings – still growing, Morgan is also within sight of the FT-SE 100 Index.

Part of Morgan's problem is that terms like "materials technology" and "application engineers" do little to clear the fog.

The £346m-plus spent on acquisitions has, furthermore, tended to obscure where earnings growth has been generated. Yet these acquisitions have put Morgan into a dominant position in a number of its markets.

Following a period of self-imposed abstinence from paper-driven acquisition – Mr Farmer had a run in with the City last year after two rights issues in 10 months – Morgan's four divisions currently look like this:

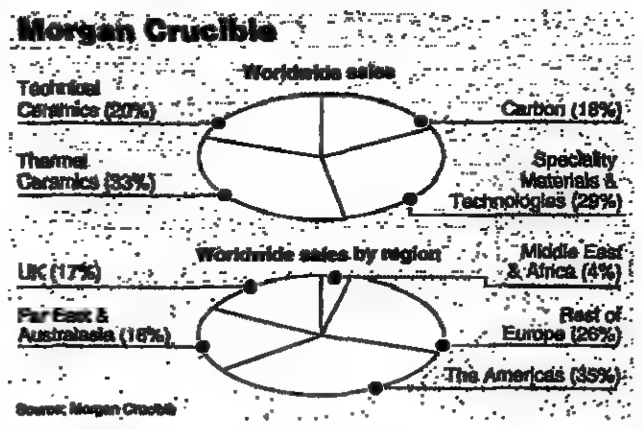
● More than half Morgan's sales come from ceramics – the group of materials which include oxides of metals and demonstrate great compressive strength and hardness, or resistance to high temperatures and corrosion. Thermal ceramics, the largest division, has more than 50 per cent of the world ceramic fibre market, plus a large slice of the market for heat resistant bricks used in crucibles and refractories.

Its traditional industrial markets have, not surprisingly, been mauled by the general economic downturn as furnace utilisation has fallen. Operating profits for the full year are expected to fall 9 per cent to £21.5m from sales of £205m, according to Nikko Europe.

But Morgan has managed to limit this fall, by comparison with other producers of refactories, largely through the introduction of new applications. Ceramic fibre is now being used as insulation in the construction industry, and has already been installed in roofs at EuroDisney.

The most interesting development, however, is car safety air-bags – which inflate between driver or passenger and dashboard after a controlled explosion. Morgan makes the heat filters that contain the heat of the explosion. Thermal Ceramics estimates this market will be worth $25m to it in the US by 1996.

The company is already making heat shields that cradle catalytic converters and is developing ceramic fibre-reinforced metal for stronger, lighter pistons. "This company has tended to be in heat treatment in process industries," says Mr Farmer. "Suddenly it will find itself in the auto industry in a big way."



● Technical ceramics offers perhaps the best future growth prospects. The group is developing the bio-medical market with pacemaker components and artificial hip joints and new applications in power generation.

However, growth from new products is currently almost offset by the slow-down in the aerospace and white consumer goods markets and demand for traditional products like electrical insulators.

Operating profits are likely, however, to increase 43 per cent to £16.5m on sales of £165m as a result of the £35m spent last year on two acquisitions – Dulmison in Australia and Wesgo from GTE Products. Without these acquisitions, profits would have fallen by 6 per cent. Again, Mr Farmer argues that compared with competitors like Hoechst in Germany, Morgan's decline has been minimal.

● Speciality materials and technologies produces a vast array of industrial lubricants and other aids for manufacturing processes. Newer products include solder flux removers and cleaning swabs for the computer and electronic industries, and non-slip epoxy deck coatings for oil rigs and naval vessels.

Recession in the defence markets and in the nuclear industry has held the division back. It has also suffered from low margins at Holt Lloyd, the car care business. Morgan is talking with a potential buyer of this business. Operating profits are, nevertheless, expected to increase by 8 per cent this year to £20m largely as a result of growth in new products.

● The carbon division's dominant world position in the manufacture of carbon brushes for electrical motors has been built through a network of plants internationally. The business has low margins but very high volumes – the Morganite plant in North Carolina, for example, last year made 175m brushes and 40m electrical commutators.

Demand for smaller horse power and consumer motors has held up, partly because of a dramatic increase in the number of motors that go into any one automobile. And production of commutators has taken off.

Recession has, however, badly hit the company in larger brushes for railroad and traction uses. In commutators, the group is planning a near-doubling of US capacity to take on a troubled private producer. "This is one example where organic growth is better than acquisition," says Mr Farmer.

Operating profits are likely to fall 9 per cent to £16m this year on sales marginally ahead at £120m. By comparison, Le Carbone-Lorraine, a subsidiary of Pechiney, incurred a loss at its last half-year and Mr Farmer believes Morgan has been gaining market share.

Morgan divisional breakdown does not immediately suggest a bullish outlook for earnings.

But for an industrial company, Morgan has shown a surprising resilience which Mr Farmer puts down to geographical and product diversification. Much of this is the result of little understood and little noticed acquisitions which can incrementally improve market share, or capacity utilisation or competitive position.

What is more, in the short term investors do not need to look to recovery in Morgan's markets because of sterling's devaluation.

"We are the reverse of GM – what is good for the UK is bad for Morgan Crucible," Mr Farmer says.

Not only will devaluation boost Morgan's translated overseas profits it will also increase competitive edge of Morgan's British production, much of which is exported.

NEWS DIGEST

BMSS falls £16,000 into the red

AN "unprecedentedly low" level of demand from the construction industry was cited as the principal cause of a fall into losses at BMSS in the six months to July 31.

The USM-quoted timber and building materials merchant reported a pre-tax deficit of £16,000, against a profit of £254,000 last time. Turnover slipped from £8.56m to £8.28m. Losses per share came out at 0.1p (2.2p earnings).

In view of the uncertain climate, the directors said, it was considered advisable to conserve the company's resources. In light of this it had decided to pass the interim dividend – 2p was paid last time.

Downturn at Personal Assets

Available revenue of Personal Assets Trust fell from £117,000 to £90,000 over the six months ended October 31. Total income declined by £38,000 to £193,000.

As already announced the interim dividend is being lifted to 0.85p (0.75p) from earnings of 0.6p (0.78p) per share.

Shareholders are to be asked to authorise a resolution to consolidate the share capital on the basis of one new £12.50 ordinary share for every 100 12.5p ordinary held.

Adam & Harvey declines to £2.49m

Difficult trading conditions and recession were blamed by Adam & Harvey, the international distribution and steel stockholding group, for an 18 per cent downturn to £2.49m in pre-tax profits for the six months to September 30.

The outcome, which compared with £3.03m last time, came on turnover ahead 4.4 per cent at £20.2m (£19.3m).

Earnings per share were 30p (33.4p) and the interim dividend is maintained at 5p.

Audax Properties dips to £208,000

Audax Properties produced a pre-tax profit of £208,000 in the six months to September 30, compared with £227,000.

Net revenue from properties rose from £1.03m to £1.18m.

The portfolio was fully let with more than 90 per cent of income coming from blue chip tenants.

Fleming Japanese net assets decline

Net assets for the Fleming Japanese Investment Trust fell from 180.76p to 140.64p per share over the year to September 30.

Net revenue was halved at £426,000 (£856,000) and earnings came out at 0.36p (0.73p).

The single final dividend is cut from 0.67p to 0.36p.

Regent Inns edges ahead to £913,000

Regent Inns, which operates 36 pubs, hotels and restaurants, mainly in London and the Home Counties, lifted pre-tax profits from £886,725 to £913,212 over the 12 months to June 30.

The outcome was struck after a loss of £60,841 (profits of £187,551) on disposal of fixed assets.

Turnover was virtually unchanged at £11.9m. After a reduced tax charge, earnings per share emerged at 7.8p (6.7p). The single distribution for the year goes up 0.5p to 2p.

The shares are traded on a matched bargain under Rule 535 (2).

British Empire Securities assets fall

British Empire Securities & General Trust reported net asset value of 60.47p basic at September 30, against 64.54p a year earlier. The fully diluted figure was 60.43p, against 64.12p.

Net income for the 12 months to end-September fell 8 per cent to £1.29m (£1.4m) for earnings of 0.98p (1.05p). A proposed final dividend of 0.64p makes a total of 0.89p (0.86p).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price by trading on 10.11.92: Pool purchase price £/MWh	Final Prices for trading on 11.10.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.32	17.65	17.65
0100	21.80	17.64	17.64
0130	30.00	17.65	17.65
0200	30.00	21.01	21.58
0230	21.80	26.00	30.62
0300	21.80	26.00	30.63
0330	20.66	21.01	21.59
0400	20.32	17.70	17.70
0430	18.08	[illegible]	17.70
0500	18.08	17.70	17.70
0530	18.04	17.65	17.65
0600	18.04	17.65	17.65
0630	20.32	17.65	17.65
0700	23.04	24.34	27.11
0730	23.67	24.37	27.09
0800	23.74	26.12	30.96
0830	24.14	26.16	30.96
0900	24.34	26.15	31.02
0930	27.91	26.46	29.24
1000	27.91	26.47	29.23
1030	27.91	26.44	29.18
1100	27.91	26.42	29.11
1130	27.91	26.42	29.10
1200	27.91	26.42	29.10
1230	27.91	26.41	29.08
1300	[illegible]	26.39	29.07
1330	24.52	24.87	27.51
1400	24.52	21.25	21.25
1430	24.52	21.21	21.21
1500	24.52	21.16	21.16
1530	27.83	21.25	21.25
1600	29.25	21.23	21.23
1630	42.62	24.90	27.53
1700	63.34	24.94	27.56
1730	68.65	24.94	27.56
1800	57.49	24.96	27.58
1830	38.34	32.51	35.46
1900	28.06	32.64	35.58
1930	27.94	32.62	35.54
2000	27.91	32.24	35.09
2030	24.34	32.09	34.94
2100	24.14	24.35	26.97
2130	23.74	24.35	26.98
2200	23.57	24.20	26.84
2230	23.52	24.02	26.67
2300	20.66	23.64	26.50
2330	20.32	22.17	24.79
2400	18.06	17.70	17.70

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.98/MWh becomes 1.698p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Second-half plastics recovery and investment benefits improve profits as sales fall

Wardle Storeys seeks buys on 13% rise

By Peggy Hollinger

WARDLE STOREYS, the cash-rich plastic fabrics and safety equipment company, yesterday labelled 1993 the "year of acquisitions" as it reported a 13 per cent advance in annual pre-tax profits to £9.2m.

Mr Brian Taylor, chief executive, said the company was in talks on several potential purchases, including one in the US where it has only a small presence.

Wardle, which finished the year with net cash of £34m, was aiming to make several smaller purchases in each of its main businesses, as opposed to a single large one, he said.

The pre-tax advance was struck on sales 2 per cent lower at £76.6m for the 12 months to August 31. Mr Taylor said the increase had been due to a recovery in the plastic fabrics business during the second half, and the efficiency benefits of an ongoing investment programme.

The increase had been achieved in spite of "the bizarre events which surround us", he said. A well-known sceptic when it comes to politicians, Mr Taylor was scathing about the current direction of UK economic policy. "They are a pack of wallies," he said. "Economic policy can best be described as a series of successive reactions to a series of successive emergencies."

He admitted, however, that the devaluation of sterling was likely to benefit Wardle in the medium term.

Strongest performance came from the safety and survival equipment division, which includes products such as parachutes and life rafts. Operating profits rose by 38 per cent to £3.8m on sales 7 per cent higher at £26m. However, the inflatables operation – especially in the UK – was proving disappointing. "That is the only thing which is causing us to exercise a note of caution," Mr Taylor said.

Technical products, including plastic fabrics for use in the automotive and baby buggy markets, increased profits by £100,000 to £2.1m, on a £3.3m drop in sales to £50.6m.

The final dividend is maintained at 12p for a total of 16p (16p). Earnings per share increased by 10 per cent to 25p.

● COMMENT

Whatever one thinks of Brian Taylor's politics – or lack of them – these commendable results have been achieved in a trying environment. The challenge now will be to find an earnings-enhancing acquisition. Mr Taylor's last two significant attempts – hostile bids for Chamberlain Phipps and Armstrong Equipment – left his reputation as a dealmaker bruised and battered. It would appear the lesson has been learnt, and he is looking at friendlier deals. The possible move into the US looks interesting, given the potential for economic recovery and the company's relatively low exposure there. Forecasts of £10m, with a p/e of about 15, make the shares look fully valued in the short-term but an acquisition could make a world of difference. However, Wardle's exposure to the automotive market makes it a good candidate for recovery in the medium-term.

NEWS DIGEST

Kalon in £2.4m DIY purchase

WHAT A difference a letter makes. Just 11 weeks after failing to take over rival paintmaker Manders for £86m, Kalon has bought the principal assets of the DIY business of Mangers for a more affordable £2.4m.

J Manger & Son is a Northamptonshire-based maker and distributor of DIY products. Kalon is buying the goodwill and intellectual property rights of the business, its freehold and leasehold properties, which it will sell or sub-let, and the plant, machinery and stocks. The business will be relocated to Kalon's factories and its head office in Batley, West Yorkshire.

Essentially Kalon is buying the Mangers name, best-known for its sugar soap products, but also caustic soda, steel wool, polyurethane foams, and household insulation equipment products, as well as a range of decorating sundries.

Smith & Nephew sells SoloPak

Smith & Nephew has sold SoloPak, which makes pharmaceuticals for the US market, for $13.5m (£8.7m) to SoloPak Pharmaceuticals, a management buy-in vehicle created by Welsh Carson Anderson & Stowe, the New York investment company.

Smith announced that it had sold the loss-making company to Ivax Corporation for $19m in March. However, Mr John Robinson, S&N chief executive, said that the deal fell through when Ivax pulled out.

Cabra delays filing financial statements

Cabra Estates, the heavily indebted property company, is delaying the filing of its financial statements for the year to March 31 1992.

The Registrar of Companies has approved the move as the accounts cannot be finalised because of the negotiations on debt restructuring and the sale of its two London football grounds.

Mr Gordon Young, chairman, told an extraordinary meeting he hoped the talks would end soon and the terms could be put to a further EGM.

Cabra owns the grounds of Fulham and of Chelsea, whose chairman, Mr Ken Bates, owns 29.6 per cent of the company.

AAH says it has 83% of CMRG

AAH Holdings, the pharmaceuticals wholesaler, announced that as at 3pm on November 6 it had received valid acceptances for 22,068,806 shares – 83 per cent – in respect of its offer for CMRG.

As acceptances exceeded more than 80 per cent of the share capital of CMRG, the offer has been declared unconditional and will remain open until further notice. The partial cash alternative however will close at 3p on Friday November 20.

The Secretary of State for Trade and Industry has decided not to refer the transaction to the Monopolies and Mergers Commission.

Ross plugs in for electrical growth

Ross Group, the Southampton-based consumer products and technical services company, is expanding its electrical accessories division with the purchase of Fleetwood Electrics for an undisclosed sum.

Fleetwood is expected to contribute about £2m of sales in its first year of ownership.

Wagon to proceed with Polypal offer

Wagon Industrial Holdings, the Telford-based engineering group, has formally announced that it is to proceed with its £32.3m acquisition of Polypal, a Belgian manufacturer of storage equipment.

This follows shareholders' approval at the EGM. Accordingly, the purchase agreement in respect of 52.7 per cent of the fully diluted equity of Polypal has become unconditional. The agreed offer will remain open for acceptance until November 23.

The 1-for-4 £30.8m rights issue, made to finance the acquisition, closes at 3pm tomorrow.

Rentokil takes four interests in £10m deal

By Peter Pearse

RENTOKIL, the environmental services and property care group, has made four acquisitions – one in the US and three in the UK – for about £10m.

The biggest purchase is Creative Planting, a tropical plants services company, that supplies plants to offices covering the Washington DC and Maryland area.

The initial consideration is $10m (£6.5m) with a further $14m payable depending on profit levels for 1992 and 1993.

In the year to June 1992, Creative Planting returned made profits of $1.4m on turnover of $8.7m and should boost turnover of Rentokil's existing US operations to about $60m.

Mr Clive Thompson, chairman, said the acquisition made Rentokil "by far the major player" in Washington, adding he hopes to "further develop our position" there.

The other three acquisitions are: Argyll Services for £750,000. Part of Rowland Compliance Testing for £150,000 and Wessex Hygiene Services for £110,000.

Further purchases lift Tomkins' stake in RHM to 22.11%

By Maggie Urry

TOMKINS, the industrial conglomerate offering £935m for Ranks Hovis McDougall in an agreed bid, yesterday bought a further 36.26m shares in the milling, baking and grocery products group, taking its stake to 22.11 per cent.

It also posted its offer document to RHM shareholders.

The document showed that Mr Stanley Metcalfe, RHM chairman, was given a new five year contract in February this year at an annual salary of £347,000. His remuneration was shown in the previous year's accounts at £330,438.

The new contract was agreed at a time when RHM was warning that its profits would fall.

If Tomkins' bid succeeds Mr Metcalfe will stay with the group as a consultant for three months. If the remaining four years of his contract had to be bought out, it could cost Tomkins approaching £1.4m.

Mr Greg Hutchings, chief executive of Tomkins, said no discussions on compensation payments had taken place yet. He said he was busy meeting RHM and Tomkins shareholders explaining the deal. The reaction he had received was positive, he said.

With a recommendation for Tomkins' offer and a 22 per cent stake built up, the chances of another bidder entering the contest appears unlikely. Observers suggest that Tomkins' bid could win support from holders of over 50 per cent of RHM's shares by the first closing date, set at December 7.

Tomkins must first win approval from its own shareholders, and has called a special meeting on December 4 to discuss the bid and the second instalment of the £653m rights issue Tomkins is making to help finance it.

The share purchases yesterday were mostly at 260p, the value of the cash offer Tomkins is making for RHM, or at 269.54p, which includes the 9.54p dividend RHM shareholders are to receive.

Tomkins has spent over £200m buying 78.65m RHM shares and has almost reached the limit of the share purchases it can make under rules which stop a bidder spending more than the equivalent of a quarter of its own net asset value on buying shares in its target.

COMMODITIES AND AGRICULTURE

Nickel prices fall to 5-year lows

By Kenneth Gooding, Mining Correspondent

NICKEL PRICES were hit hardest yesterday by the wave of selling that is driving down prices on the London Metal Exchange. After touching its lowest level for more than five years, the price of nickel for delivery in three months closed last night at $5,540, down $127.50 a tonne.

In the past week nickel prices have fallen by $602.50 a tonne or nearly 10 per cent.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, pointed out that cuts planned by nickel producers were "perceived as tardy and insufficient". Total nickel stocks, an estimated 220,000 tonnes, equated to more than 18 weeks' consumption and the outlook for stainless steel (the biggest user of nickel) was poor. "A period of depressed [nickel] prices looks to be in prospect for the remainder of this year and the first half of 1993," he said.

Copper prices also fell heavily yesterday before recovering slightly when news about renewed political tension in Zaire created some nervousness about supplies from the African copper belt. Three-months copper closed last night at £1,411.50 a tonne, down £14.25 in one day and £64.75 or 4.4 per cent in a week.

Recovery in metals prices is not too far away, suggests Mr Jon Bergthell, analyst at James Capel, in a special report "Metals and Easy Money". He says metal exports from the Commonwealth of Independent States will ease just as western demand is picking up and western producers have cut output substantially.

Mr Bergtheil says: "This convergence will begin to take place from the second quarter of 1993. Metal prices will anticipate this and begin to rise from early 1993".

Italy appears stuck with aluminium white elephant

It looks as though taxpayers will to have to carry on footing the bill for Alumix, writes Haig Simonian

THIS MONTH could see some light shed on the uncertain fate of Alumix, the Italian aluminium producer, part of the Efim state holding company, which was put into voluntary liquidation in July.

The government has set a mid-November deadline for deciding how to deal with Efim's wide-ranging operations. While healthier parts of the group, which has operations ranging from glass to health spas, are likely to be sold off, the long term future of the aluminium subsidiary is much less clear.

Alumix, which lost L420bn (£200m) on sales of about L1,200bn last year and now has debts of some L1,300bn, is by far the most difficult of Efim's many problems.

Many industrialists question why Italy, lacking reserves of bauxite (aluminium ore) and highly dependent on imported energy, the biggest cost factor in aluminium smelting, ever created an aluminium business in the first place.

The answer is largely political. With the bulk of its smelting activities on the island of Sardinia, Alumix was designed partly to provide jobs, and through them, votes. Its plants are further examples of the tendency to develop large industrial plants in fringe locations on the basis of social policy rather than market forces.

The fear of losing votes and boosting unemployment explains the willingness of successive Italian governments to be relatively patient as the problems of Alumix –, and Efim as a whole – steadily mounted. After its liquidation, Efim was found to have debts of about L17,500bn – double previous estimates.

Alumix scraped together meagre net profits of L4bn and L9bn in 1988 and 1989. But in the past two years, its losses have been growing as a result of the collapse in aluminium prices and steeply rising electricity charges. Although many forecasters expect demand for aluminium to increase later this decade, Alumix's problems look set to worsen in the short term.

On purely economic grounds, many Italians think Alumix should be closed down. But in its latest decree law on winding up Efim, published last month, the government appeared to grant the group yet another reprieve. Noting the social importance of providing labour in the hard-pressed Sardinian economy, where unemployment is high, the government of Mr Giuliano Amato appeared willing to sanction yet another restructuring plan in the hope of turning Alumix round.

Company officials draw attention to the important steps that have already been taken in slimming down an industry born of the merger between the former private-sector Alusuisse activities in Italy, based in Porto Marghera near Venice, and the state-owned Aluminia group in Sardinia.

Production has been concentrated in Sardinia, where about 130,000 tonnes of Alumix's total 160,000-tonnes-a-year output is now based. According to an official, the Sardinian works are relatively up to date, while those in Porto Marghera are much older. Among other achievements claimed by the group is the creation in November 1991 of a four-division structure covering smelting, extrusion, lamination and packaging, in an attempt to reduce costs and improve co-ordination.

There has also been some reduction of the work-force, which by March this year had fallen to about 6,500 on a group basis from 7,100 at the end of 1991.

However, Alumix claims many of the measures needed to restore its fortunes depend on the government rather than its management. Redundancy programmes are linked to government-sponsored early retirement schemes, which rely on Rome for financial support. And in spite of ministerial agreement to a L500bn cash boost agreed in 1991, and due to take effect at the end of that year, the fresh money has never come, the company complains.

But Alumix's biggest grumble – and by far the most controversial aspect of the business – concerns the price of electricity. At L44 per kilowatt hour, Alumix complains its energy costs are far above the European average. In July, the government agreed to slash electricity tariffs for the group's Sardinian smelters by 40 per cent, bringing the cost down to L24 per KwH. "That has helped", says Ms Chiara Benelli, a company official "but it doesn't cover production at Porto Marghera."

Surprisingly, Ms Benelli does not expect the price cut to provoke a protest among competitors in the European Community. "It's not a subsidy, but just a reduction of the excessive price rise introduced earlier", she says. Until two years ago, Alumix was paying L28 per KwH.

The government appears to have already granted Alumix a short-term stay of execution, although this month may still bring further surprises. Given that a sale or public flotation of the group is inconceivable in its present condition, ministers appear willing to provide some resources to help it put its books straight. In the meantime, some fringe activities may be hived off.

Alumix says virtually all its operations except the primary smelting business are now in, or nearing, profits, at least at the operating level. So conceivably, a subsidiary like its Comital foils and flexible packaging business, based in Turin, could be sold off separately.

Yet even one-off sales are limited by the strong vertical integration between many of the group's operations. Laminates, based at Porto Marghera, are dependent on output from the adjoining smelting works. So for the time being it looks as though for the Italian taxpayer wil have to carry on footing the bill for the country's expensive aluminium business.

Differences narrowed in cocoa pact negotiations

By Frances Williams in Geneva

COCOA PRODUCERS and consumers have begun to narrow their differences in United Nations-sponsored talks in Geneva on a new international price stabilisation accord.

Both sides have made new offers on the price range to be defended by the accord and the amount of cocoa that could be withheld from the market to keep the price within the specified range.

However, the gap between them remains large. With only four days to go until the end of the two-week third round of talks on Friday, a fourth round looks probable. This has been tentatively scheduled for next February in Geneva.

Early last week cocoa producers lowered their price demand from a mid-price of SDR1,820 a tonne (£1,640) to one of SDR1,625 a tonne, with a floor of SDR1,300 and a ceiling of SDR1,950. On Friday consumers raised their proposed mid-price from SDR1,000 to SDR1,050, within a range of SDR840-1,260 a tonne. March cocoa futures closed in London yesterday at £745, equivalent to SDR824, a tonne.

Consumers, led by the European Community, have also increased slightly, from 300,000 to 330,000 tonnes, the amount of cocoa they are prepared to see withheld from the market under the proposed scheme for short-term price stabilisation. Producers have come down from 600,000 to 500,000 tonnes but Mr Alain Gauze, commodities minister of the Ivory Coast, the biggest producer, suggested last week that 450,000 tonnes would be acceptable to producers.

Weather makes a hash of UK potato forecasts

Rain-soaked fields will almost certainly not produce the crop surplus that had been expected earlier

FARMER'S VIEWPOINT

By David Richardson

THE UK potato crop this year is one of the biggest ever. Total potential yield is estimated by the Potato Marketing Board at about 7m tonnes. Weather conditions during the growing season have been ideal and there is hardly a grower in the country who has produced a poor yield.

But I met a specialist potato farmer the other day, a man who grew about 1,400 acres, mainly on other farmers' land which he rented for the purpose, who admitted that he expected to lose £250,000 on this year's activities. Such is the paradox of potatoes. To make a real killing from the crop it is necessary for there to be a shortage. This year there is a perceived surplus.

I use the word perceived because, for various reasons, mostly to do with the wet autumn, the apparent 1m tonne excess of supply over demand will almost certainly not materialise.

Domestic demand for home grown potatoes is normally around 6m tonnes. Lower home sale prices, although these are seldom passed on in full to consumers, could well lead to an increase in consumption to perhaps 6.3m tonnes.,

The glut on the market during the main lifting period caused ex-farm prices to collapse a few weeks ago, triggering the mechanism that allows the Potato Marketing Board to buy limited quantities of potatoes in order to take them off the domestic and processing markets. The price the board has paid – £33 a tonne – leaves no profit for the grower but the objective is to firm the price of the rest of the crop.

The board has in fact intervened in the market twice in recent weeks and well in excess of 500,000 tonnes has been offered to it by growers, not all of which may be accepted. That which is accepted will be sold back to farmers, for a fraction of what the board paid for it, to be used as animal feed. The operation, although modestly underwritten by the Ministry of Agriculture, is mainly funded by growers through a system of levies paid to the board on every acre of potatoes grown.

The greatest uncertainty, however, concerns the very high proportion of the crop that has still not been harvested. A week ago the board estimated that some 21 per cent of the area planted, containing about 1.5m tonnes, was still in the ground.

There have been a few dry days since these figures were issued and doubtless the unharvested acreage will now be a little smaller. After double the normal rainfall in some of the main potato areas over the last three months the problems of lifting in muddy conditions have been immense.

Comparative figures for recent years indicate the extent of this year's delay in potato harvesting. In 1991 at the end of October 7 per cent of the crop was left in the ground; in 1990, just 5 per cent. And the longer the delay lasts into the winter the more difficult it is to lift the crop from increasingly waterlogged soil.

Furthermore it is likely that the cold weather that has accompanied the rain will have damaged a proportion of the unlifted tubers; for once soil temperatures drop below about 8 deg C (46 F), the sugar content in the starch of potatoes rises, making them unsuitable for processing and unlikely to keep well in store through the winter. Also, most potatoes lifted in present soil conditions have mud stuck to them, which also affects storability by inhibiting under-floor ventilation. This in turn can lead to the development in store of latent diseases, which could make significant tonnages unmarketable for human consumption.

Some potato pundits have, in fact, predicted that national losses as a result of this combination of factors could be between 200,000 and 300,000 tonnes. If they are right, and with most of the questionable potatoes still in the soil they are guessing at present, it is clear that the surplus may be more apparent than real.

So, increased consumption, wastage, and the sizeable tonnage taken off the market may have created a virtual balance between supply and demand.

The marketing board presumably thinks so too because last Friday afternoon the latest support buying scheme was closed. Growers now hope that there will be a firmer undertone to the market and that buyers will be prepared to pay them more than the 2p per lb most have received this season.

Moreover most growers believe that in a year like 1992 the UK's potato marketing board, unique in the EC, will really justify itself. Its statutory powers enable it to control the acreage grown as well as help to manipulate the market. There is little doubt, in fact, that its activities help bring some stability to a volatile sector and that is valued very highly by the majority of potato farmers.

They are upset, therefore, that, along with the marketing boards for milk and wool, the potato board, or at least its statutory powers, are set to disappear. Indeed enabling Bills to effect the changes are scheduled to be debated in the House of Lords within the next few weeks. It is all part of legislation required to bring about the European Community's single market.

Hostility to the removal of the statutory powers in order to replace them with a so-called "light" community regime is based on the failure of most other EC measures to stabilise commodity prices in an acceptable way in the long term and to the ruinous potato prices suffered by other potato growers in a year like this.

In Holland and Belgium, for instance, growers are at present receiving as little as half the price paid in the UK. No European farmer, growers argue, even the ultra efficient ones in the low countries, can survive for long at such prices. UK growers also point to the apparent anomaly of a CAP reform package that seeks to control production by limiting the cropped area of commodities in surplus and compensating farmers for so doing, while at the same time insisting on the removal of a system that is already achieving such control at a minimal cost to the taxpayer.

Mr John Gummer, the UK minister of agriculture, does not appear to agree. He told a group of East Anglian potato growers last week that it could not be right to restrict the acreage of potatoes grown in the UK and risk a domestic shortage which would suck in imports from other EC countries.

He claimed that he did not know the details of what Brussels would shortly propose to replace the present system. It is highly unlikely, however, that the imminent proposal will include statutory powers, which are at the heart of present UK arrangements.

If they do not, many UK potato growers fear a volatile future that will drive more of them out of business and suck in more imports in any case. They are fighting a probably futile rear-guard action to try to keep their tried and tested system. For they are well aware that neither they nor UK consumers would gain from a change. The only beneficiaries of a totally free market would be the processors and the supermarkets.

Major backs banana plea

MR JOHN Major, the British prime minister, has promised his government's support for continuing access for Caribbean bananas to the European Community following the creation of a single market in January, according to Mr P.J. Patterson, Jamaica's prime minister.

Mr Patterson said he had written to several European leaders about the concerns of Caribbean banana exporters, and the need for continued preferential entry to Europe to protect against more competitive fruit from other areas, mainly Latin America.

"I am happy to reaffirm my government's firm commitment to ensure that new arrangements on bananas fully meet our Lome obligations," Mr Major replied. "Achieving a successful outcome on bananas is a high priority for the UK presidency of the community."

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD held under pressure on the London bullion market, but futures were trading at lifetime lows on Comex at midday. The New York market was depressed by perceptions that inflation had been tamed and a widespread belief that global economies would remain in the doldrums. London dealers said the market had been battered by apparently programmed sales of central bank gold in roughly 50,000 ounce lots over the past two months and now by panic hedging from producers — even at current low price levels. London COCOA futures hit a new high in early trading before turning tail to end around £8 a tonne lower in near months after a reasonably busy day. "I think the market's just a bit tired. It's run-up a lot in the last week and it needs a bit of consolidation," one dealer said. By midday New York's arabica COFFEE market had recovered on news that German statistician F.O. Licht expects world production to fall to 93.32m bags in 1992-93, compared with 101.99m bags last year.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.25-7.30u	+0.05
Brent Blend (dated)	$19.10-9.20	+.025
Brent Blend (Dec)	$19.20-9.25	
W T I (1 pm est)	$20.25-0.35u	-.075
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$207-209	
Gas Oil	$184-185	+0.5
Heavy Fuel Oil	$95-97	
Naphtha	$190-191	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$334.45	+0.4
Silver (per troy oz)♣	387.50c	-2
Platinum (per troy oz)	$362.0	-4.5
Palladium (per troy oz)	$94.85	-1
Copper (US Producer)	100.5	-3.5
Lead (US Producer)	38.4c	-4.6
Tin (Kuala Lumpur market)	14.10r	-0.13
Tin (New York)	261.5c	-3
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	109.84p	+0.61*
Sheep (live weight)†♠	73.19p	+0.42*
Pigs (live weight)†	92.70p	+3.90*
London daily sugar (raw)	$226.0z	+1
London daily sugar (white)	$259.5z	+1
Tate and Lyle export price	£257.0	+1.5
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£146.0	
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	62.75p	-0.25
Rubber (Jan)♥	62.75p	-0.25
Rubber (KL RSS No 1 Dec)	223.5m	
Coconut oil (Philippines)§	$510.0y	+5
Palm Oil (Malaysian)§	$412.5t	+5
Copra (Philippines)§	$330	
Soyabeans (US)	£164.5z	+3
Cotton "A" Index	53.20c	+0.45
Wooltops (64s Super)	414p	+4

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb. r-ringgit/kg t-Dec/Mar y-Jan/Feb u-Dec. w-Oct/Nov z-Nov/Dec. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg ♠Sheep prices are now live weight prices

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	198.00	193.00	197.00 192.00
May	198.00	199.00	198.00 198.00
White	Close	Previous	High/Low
Dec	263.50	259.00	263.00 258.50
Mar	260.00	257.50	259.00 258.00
May	262.50	258.50	262.10 259.60
Aug	267.90	264.00	267.10 264.00
Oct	256.90	253.90	256.00 254.80

Turnover: Raw 64 (14) lots of 50 tonnes. White 1563 (936) Paris- White (FFr per tonne): Dec 1400.70 Mar 1426.10

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Dec	19.50	19.19	19.58 19.11
Jan	19.48	19.23	19.58 19.14
Feb	19.53	19.27	19.55 19.20
Mar	19.47	19.21	19.25 19.20
Apr	19.45	19.21	19.34 19.20
May	19.40	19.18	19.18 19.18
Jun	19.23	19.07	19.15 19.12
Jul	19.30		19.09
IPE Index	19.38	19.17	

Turnover 26323 (31276)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Nov	178.25	178.75	179.00 178.75
Dec	179.50	180.50	180.50 178.25
Jan	181.50	182.00	182.00 180.50
Feb	181.75	182.00	182.00 180.50
Mar	178.50	179.00	179.75 178.00
Apr	175.25	176.00	176.25 175.25
May	173.00	174.00	174.25 173.00
Jun	172.25	173.00	173.50 172.25
Jul	173.25	174.00	174.50 174.25

Turnover 18081 (18573) lots of 100 tonnes

TEA

Landed Assams opened 5 to 15p dearer and closed often up to 20p higher reports the Tea Broker's Association. Bangladesh teas met keen competition and prices advanced 5 to 15p. East Africans also appreciated between 5p and 15p particularly better liquoring types. Offshore good demand at fully firm rates. The highest price realised this week was 208p for an Assam pf. Quotations: Quality 195p, nom good medium 160p, medium 137p, low medium 98p.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	718	723	725 714
Mar	745	752	759 740
May	761	770	774 759
Jul	780	787	790 777
Sep	796	802	803 793
Dec	820	825	824 816
Mar	844	850	852 840
May	861	866	868 860
Jul	876	885	877 760
Sep	880	901	882 867

Turnover: 9450 (16178) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 6 761.82 (755.30) 10 day average for Nov 9 751.34 (747.94)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Nov	869	876	874 865
Jan	904	910	913 900
Mar	922	926	925 921
May	915	919	922 917
Jul	927	935	936 927
Sep	940	935	943 940

Turnover:2084 (5629) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 6: Comp. daily 55.25 (55.79) 15 day average 55.39 (55.29)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	60.0	59.5	61.8 60.5

Turnover 71 (111) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Dec	142.50	142.50	

Turnover 0 (80) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Nov	1210	1225	1215 1210
Jan	1274	1280	1274 1274
Apr	1275	1285	1285 1275
Jul	1135	1135	1135
BFI	1146	1135	1146

Turnover 25 (175)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Jan	128.40	128.60	128.40 128.40
Mar	132.30	132.60	132.45 132.10
May	135.35	136.00	135.60 135.25
Jun	136.60		136.50
Nov	107.80	108.00	107.00
Barley	Close	Previous	High/Low
Nov	126.60	126.50	126.60
Jan	128.50	128.85	128.50
Mar	131.45	132.00	131.45

Turnover: Wheat 115 (362), Barley 15 (80).
Turnover lots of 100 Tonnes

PIGS – London FOX	(Cash Settlement) p/kg		
	Close	Previous	High/Low
Nov	116.5	118.0	118.0
Jan	104.5	104.0	104.0
Feb	104.5	103.5	104.0 103.5
Apr	107.0	105.5	108.5
May	108.0	107.0	107.8 107.5

Turnover:17 (52) lots of 3,250 kg

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 31,798 lots	
Cash	1144-45	1138.5-9.5		1137-37.5		
3 months	1168-69	1168-8.5	1169/1168.5	1160-60.5	1166-67	173,168 lots
Copper, Grade A (£ per tonne)					Total daily turnover 38,055 lots	
Cash	1384-85	1397-8		1381-82		
3 months	1411-12	1425.5-6.0	1421/1401	1408.5-9.5	1420-21	150,365 lots
Lead (£ per tonne)					Total daily turnover 2,577 lots	
Cash	296.5-97.5	294-5		297.5-98.5		
3 months	306-09	306-7	313/308.5	305.5-06	312-13	24,640 lots
Nickel ($ per tonne)					Total daily turnover 7,927 lots	
Cash	5465-75	5598-85		5425-35		
3 months	5539-41	5665-70	5650/5480	5500-01	5550-55	34,322 lots
Tin ($ per tonne)					Total daily turnover 1,896 lots	
Cash	5640-50	5715-25	5625	5620-25		
3 months	5690-95	5765-70	5720/5670	5675-85	5665/5690	9,597 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 12,877 lots	
Cash	1016.5-17.5	1021-3		1011.5-12.5		
3 months	1037-38	1040-1	1037/1030	1032-32.5	1036-37	69,639 lots

LME Closing £/$ rate:
SPOT: 1.5205 3 months: 1.5086 6 months: 1.4927 9 months: 1.4820

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	334.30-334.60	
Opening	335.40-335.70	
Morning fix	335.00	218.689
Afternoon fix	334.00	217.944
Day's high	335.50-335.80	
Day's low	334.00	334.35

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.80	6 months	2.20
2 months	2.03	12 months	2.58
3 months	2.07		

Silver fix	p/troy oz	US cts equiv
Spot	252.20	385.85
3 months	256.30	388.00
6 months	259.90	392.45
12 months	267.00	399.95

GOLD COINS	$ price	£ equivalent
Krugerrand	334.50-337.50	219.00-221.00
Maple leaf	344.90-347.05	-
New Sovereign	80.00-83.00	52.00-54.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	56	89	3	9
1200	9	27	49	47
1300	3	4	145	120
Copper (Grade A)	Calls		Puts	
2150	17	51	38	53
2200	4	31	76	83
2250	3	16	122	118
Coffee	Jan	Mar	Jan	Mar
750	155	176	1	4
800	107	132	3	10
850	66	94	12	22
Cocoa	Dec	Mar	Dec	Mar
675	44	85	1	15
700	23	66	5	23
725	9	53	15	33
Brent Crude	Dec	Jan	Dec	Jan
1900	31	57	4	40
1950	3	30		61
2000		24		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	332.6	335.7	0	0
Dec	333.1	336.2	335.6	332.2
Jan	333.8	336.8	0	0
Feb	334.5	337.6	337.3	333.5
Apr	335.6	338.9	338.6	334.7
Jun	337.2	340.4	339.5	336.7
Aug	340.8	342.1	341.7	340.0
Oct	340.7	343.8	0	0
Dec	342.5	345.8	344.6	342.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	357.8	364.2	364.0	356.0
Apr	357.3	363.7	363.3	355.5
Jul	357.0	363.4	362.1	356.0
Oct	359.0	365.4	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	369.6	367.2	368.5	368.0
Dec	370.2	388.8	389.0	368.0
Jan	371.4	389.8	0	0
Mar	373.9	391.8	393.0	371.0
May	376.7	394.8	396.0	376.0
Jul	379.4	397.5	398.5	378.0
Sep	382.0	400.2	385.0	384.5
Dec	386.5	404.8	405.0	386.0
Jan	387.9	405.3	0	0
Mar	391.7	410.1	305.0	394.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	94.40	95.90	94.50	94.30
Dec	94.80	96.35	95.10	94.25
Jan	95.25	96.80	95.40	95.10
Feb	95.65	97.20	95.80	95.90
Mar	96.05	97.55	96.30	95.60
Apr	96.45	97.95	96.40	96.40
May	96.85	98.45	97.20	96.55
Jun	97.25	98.80	97.25	97.25
Jul	97.65	99.15	98.00	97.50
Aug	97.95	99.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Dec	20.62	20.30	20.72	20.21
Jan	20.71	20.41	20.80	20.33
Feb	20.73	20.44	20.77	20.36
Mar	20.70	20.41	20.75	20.39
Apr	20.67	20.36	20.68	20.36
May	20.64	20.35	20.63	20.34
Jun	20.61	20.32	20.59	20.31
Jul	20.58	20.29	20.55	20.28
Aug	20.55	20.26	20.51	20.26
Sep	20.52	20.24	20.44	20.25

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Dec	58.36	57.36	58.70	57.10
Jan	59.69	58.66	59.85	58.45
Feb	60.05	59.37	60.30	59.10
Mar	59.15	58.62	59.10	58.45
Apr	57.73	57.27	57.70	57.05
May	56.58	55.96	56.25	56.00
Jun	55.93	55.41	55.70	55.80
Jul	56.08	55.58	55.90	55.50
Aug	56.68	56.16	56.40	56.40
Sep	57.76	57.31	57.30	57.25

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	979	999	991	976
Mar	1027	1046	1037	1024
May	1058	1079	1068	1056
Jul	1091	1109	1097	1085
Sep	1112	1136	1117	1110
Dec	1147	1171	1168	1146
Mar	1185	1210	1185	1181
May	1214	1239	0	0
Jul	1244	1268	0	0
Sep	1267	1292	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	61.85	64.30	64.90	61.85
Mar	64.55	66.80	67.15	64.50
May	67.80	69.80	70.00	67.55
Jul	69.35	71.40	71.40	69.15
Sep	70.70	73.00	73.10	70.70
Dec	73.20	75.25	74.50	74.00
Mar	75.05	77.30	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.84	8.79	8.85	8.75
May	8.94	8.91	8.95	8.88
Jul	9.00	8.95	9.00	8.91
Oct	8.99	8.94	8.99	8.93
Mar	9.01	8.98	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	55.73	55.58	55.80	55.15
Mar	56.55	56.47	56.60	55.90
May	57.35	57.23	57.35	56.70
Jul	58.10	57.85	58.10	57.40
Oct	58.53	58.26	58.30	58.25
Dec	58.70	58.40	58.40	58.10
Mar	59.30	58.95	59.00	59.00

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	95.35	96.10	96.85	95.30
Jan	94.00	94.35	96.25	93.75
Mar	95.50	95.90	97.10	95.50
May	96.40	96.85	97.50	96.00
Jul	96.40	96.85	97.25	96.15
Sep	96.40	96.85	97.50	97.50
Nov	95.80	96.35	0	0
Jan	95.80	96.35	96.10	96.10
Mar	95.80	96.35	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Nov.9	Nov 6	mnth ago	yr ago
	1646.4	1645.6	1591.5	1629.0
DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.6	Nov 5	mnth ago	yr ago
Spot	115.02	114.24	113.92	112.96
Futures	116.59	115.23	114.84	121.70

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	549/2	551/2	551/4	546/2
Jan	551/0	553/0	553/0	547/6
Mar	557/0	558/4	558/4	553/6
May	563/0	564/0	564/4	559/6
Jul	568/6	570/2	570/0	565/6
Aug	570/6	572/4	572/0	569/0
Sep	569/2	570/2	571/4	568/0
Nov	576/0	576/4	577/4	574/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	19.57	19.68	19.66	19.40
Jan	19.65	19.79	19.80	19.50
Mar	19.83	19.96	19.97	19.67
May	19.97	20.11	20.12	19.82
Jul	20.11	20.26	20.26	19.97
Aug	20.09	20.25	20.20	20.09
Sep	20.11	20.30	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	178.1	178.7	179.1	178.9
Jan	178.9	179.4	179.8	177.8
Mar	180.2	180.3	180.8	179.0
May	181.4	181.3	181.7	180.5
Jul	183.7	183.6	183.9	182.8
Aug	184.6	184.5	184.8	183.8
Sep	185.6	185.1	185.6	184.9
Oct	187.0	186.5	187.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	206/4	206/0	208/0	206/0
Mar	216/0	217/4	217/2	215/4
May	223/4	224/6	224/6	223/0
Jul	228/2	229/2	229/4	227/4
Sep	232/6	233/6	234/0	232/4
Dec	238/0	238/4	238/4	237/4
Mar	244/2	245/0	244/6	244/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	362/6	369/2	360/0	358/6
Mar	359/2	356/6	359/4	355/4
May	341/4	341/2	343/0	340/6
Jul	316/0	316/2	318/0	315/4
Sep	322/0	322/0	323/0	321/4
Dec	332/4	332/4	333/0	332/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	74.225	73.525	74.250	73.625
Feb	72.225	71.625	72.250	71.650
Apr	72.375	71.900	72.400	71.750
Jun	69.325	68.975	69.350	68.950
Aug	68.150	67.850	68.200	67.950
Oct	68.650	68.400	68.650	68.425
Dec	68.900	69.600	68.800	68.700

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	43.250	42.875	43.450	42.900
Feb	43.675	43.175	43.750	43.075
Apr	41.025	40.750	41.150	40.650
Jun	45.225	46.000	46.300	44.950
Jul	44.925	44.700	44.925	44.750
Aug	43.600	43.500	43.600	43.450
Oct	40.700	40.475	40.700	40.600

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	41.650	41.475	42.200	41.100
Mar	41.625	41.475	42.125	41.150
May	43.325	43.225	43.475	42.500
Jul	43.700	43.525	43.800	43.150
Aug	43.200	43.000	43.200	42.500

LONDON STOCK EXCHANGE

Shares drift lower in nervous trading

By Terry Byland,
UK Stock Market Editor

WIDESPREAD hopes that Thursday's economic statement will be accompanied by a cut in UK base rates could not sustain the UK stock market yesterday. Although above the day's low, the FT-SE Index closed below the 2,700 mark regained only last week.

The stock market confidently expects base rates to be reduced by at least one point, either as part of the government's economic statement or on the day following, when the October retail price index is likely to show year-on-year inflation down to 3.3 per cent.

While most City analysts would be satisfied with a one point reduction to 7 per cent, some responded to the call from the Confederation of British Industry for rates to be cut *by two percentage points to 6* per cent; however, the City was nervous after sterling fell sharply in late dealings after the CBI's regional chairman warned of the risks posed by "dramatic" interest rate cuts.

Against this uncertain backcloth, equities abandoned initial gains and, with stock index futures also virtually on hold, drifted down to a loss of 8.5 on the Footsie at mid-morning.

A modest recovery, together with a calm start to the new session on Wall Street, helped the *London market later*. The final reading put the FT-SE Index at 2,695.4 for a net loss of 7.3.

Seaq volume slipped to 517.5m shares from Friday's 652.8m. Retail business was worth £1.2bn on Friday. Retail volume has been averaging more than £1bn daily for the past two months, indicating that London-based market firms have improved profitability during the final quarter of this year. Once again, volume in second line stocks exceeded that in the Footsie listed issues yesterday. Late trading saw several large blocks of blue chips traded, notably BAT Industries (1.8m) and British Gas (6.4m).

However, strains on the securities industry remain severe and there were suggestions yesterday that two more City brokerage houses would announce a merger this week.

Traders stressed that there was little selling pressure. The Footsie Index was held down by renewed falls among the international pharmaceutical stocks on worries that the new US president may tighten Federal spending on medical welfare. SmithKline Beecham suffered a bout of selling pressure.

Reports that GPA, the world's largest aircraft leasing group, is seeking to reshedule its bank debt unsettled Rolls-Royce and several other leading names in the aircraft industry supply business and dire statistics on insolvency rates in British industry lay heavily across the manufacturing sector.

Retail stocks were helped by interest rate optimism but paid little heed to the latest data on UK consumer credit, indicating that UK consumers continued to pay down credit card debt in September. Confidence in prospects for a consumer-led boom to lead the UK out of recession remained fragile.

Downgradings of UK companies by brokerage analysts continued to provide features as well as to restrain investor activity across the range of the market. But market strategists agreed that the autumn economic statement is likely to *bring the first evidence of the* government's growth strategy and that this is expected to confirm the recovery trend in the stock market since September.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	52	460	−15
ASDA Group	15,600	48	
Abbey National	1,600	346	
Albert Fisher	2,400	44	
Allied-Lyons	588	636	−2
Amstrad	229	26	
Anglian Water	844	467	−5
Argos	113	270	+1
[illegible]	3,700	382	+1
Arjo Wiggins	607	188	−1½
Ass. Brit. Foods	136	438	−3
Ass. Brit. Ports	610	309	+3
BAA	897	747	−11
BAT Inds.	3,800	837	+10
BET	2,000	109	
BICC	740	364	−2
BOC	1,200	714	−6
BP	5,400	228	+2½
BPB Inds.	1,800	172	
BT	3,500	375	−3
BT New	1,800	270½	−2½
BTR	3,500	508	+5
Bank of Scotland	1,400	119	−1
Barclays	5,100	363	+7
Bass	1,200	585	+2
Berisford Int.	699	15	+1
Blue Circle	[illegible]	170	+4
Booker	[illegible]	390	+15
Boots	604	485	+5
Bowater	945	483	+15
Brit. Aerospace	4,700	135	−14
British Airways	7,100	292½	−11
British Gas	19,000	276	−1
British Land	1,400	185	+6
British Steel	4,700	91	+1
Bunzl	75	109	−1
Burmah Castrol	19	684	
Burton	3,600	45	−2½
Cable & Wire.	2,400	646	−4
Cadbury Schweppes	525	455	+2
Calor Group	1,200	233	−7
Carlton Comms.	329	703	−2
Coats Viyella	781	209	+2
Comm. Union	146	571	+1
Cookson	264	187	+3
Courtaulds	240	466	+2
Dalgety	622	465	−1
De La Rue	2,100	853	−4
Dixons	382	225	+1
Eastern Elect.	225	388	+9
[illegible]	904	405	+5
Eng China Clays	210	432	+2
Enterprise Oil	397	447	
Eurotunnel Units	46	351	−2
FKI	604	85	
Fisons	685	218	+5
Forte	1,480	158	
Gen. Accident	1,000	536	−12
General Elect.	6,600	256	−1
Glaxo	2,800	619	−6
Glynwed Int.	54	216	−1
Granada	1,400	263	−10
Grand Met.	1,800	468	−1
GUS A	240	1160	−10
GRE	1,900	165	+6
GKN	281	400	−1
Guinness	2,100	510	−6
HSBC (75p shs)	2,100	560	+5
Hammerson 'A'	281	222	+3
Hanson	4,000	227¼	−2½
Hanson Warrants	1,900	17¼	−¼
Harrisons Crosfield	933	[illegible]	−1
Hillsdown	484	106½	−½
IMI	821	221	−3
ICI	869	1038	+1
Inchcape	372	490	−9
Kingfisher	1,500	556	+7
Kwik Save	710	739	+4
Ladbroke	1,800	162	
Land Securities	318	493	+3
Laporte	87	594	
Legal & General	659	388	−1
Lloyds Abbey	444	358	+5
Lloyds Bank	1,500	492	+7
LASMO	2,400	164	−6
London Elect.	630	435	+10
Lonrho	1,600	74	−5
Lucas	814	177	+1
MB Caradon	165	278	−2
MEPC	470	329	+3
Manweb	301	472	+12
Marks & Spencer	1,600	327	
Midlands Elect.	418	460	+11
NFC	163	268	−1
NatWest Bank	2,200	394	+4
National Power	947	268	−3
Next	3,600	124	+2
North West Water	2,600	482	
[illegible]			
Rothmans	949	614	−6
Ryl Bk Scotland	1,000	188	+1
Royal Insurance	2,100	226	−11
[illegible]	658	165	−7
Sainsbury	1,500	480	+1
Scottish & New.	302	434	+2
Scot. Hydro-Elect.	161	221	−2
Scottish Power	1,400	[illegible]	−1
Sears	750	82	
Sedgwick	2,100	180	−4
Seaboard	718	438	+8
Severn Trent Water	2,900	464	−4
Shell Transport	3,000	530	+2
Siebe	1,600	341	+3
Slough Ests	575	137	+3
Smith (W.H.) A	174	464	−1
Smith & Nephew	5,300	159	+1
SmKl Beecham	1,300	512½	−11½
SmKl Beecham Uts	1,900	464	−15
Smiths Inds.	972	318	−10
Southern Elect.	1,000	415	+5
South Wales Elec.	97	486	+6
South West Water	489	405	
South West Elect.	635	436	+7
[illegible]			
Vodafone	3,000	394	−9
Warburg (SG)	116	524	−14
Wellcome	729	895	−0
Welsh Water	282	525	+5
Wessex Water	292	570	+6
Whitbread 'A'	336	464	
Williams Hldgs.	551	289	−4
Willis Corroon	756	208	−1
Wimpey	192	104	−1
Wolseley	404	482	+7
Yorkshire Elect.	189	475	+7
Yorkshire Water	377	522	−1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Nov 2	Nov 16	Nov 30
Option Declarations:		
Nov 12	Nov 26	Dec 10
Last Dealings:		
Nov 13	Nov 27	Dec 11
Account Day:		
Nov 23	Dec 7	Dec 21

*New time dealings may take place from 8.30am two business days earlier.

Aircraft stocks upset

REPORTS OF financial problems at GPA, the world's largest aircraft leasing company, along with fears of impending defence cuts, together sent a chill through the aerospace and engineering sectors, bringing heavy falls in several of the major stocks.

Shares in Rolls-Royce took the *full force* of the worries surrounding GPA, falling 10¼ to 124¼p in trade of 5.1m with *the market worried about* the firm orders GPA had placed for 45 Boeing 757s, all of which are *due to be powered* by Rolls engines. Smith New Court, Kleinwort Benson and Nikko Securities were among brokers advising investors to sell the shares. Strauss Turnbull also issued a "sell" recommendation and suggested 80p as a fair price for the shares.

However, it was British Aerospace which recorded the day's biggest fall in the market in percentage terms, falling 14 to 135p. BAe owns 20 per cent of Airbus Industrie with which GPA has a large order for A320 aircraft. Sentiment was further weakened by speculation that the UK government would *announce further defence cuts* in Thursday's Autumn Statement.

Also affected were Smiths industries, 10 lower at 318p, and TI group, 6 lighter at 287p.

Lasmo easier

There was widespread consternation around dealings room as Lasmo shares wilted in the face of stories that a big institution was seeking to unload a block of between eight and 10m shares in the oil exploration company.

Marketmakers lowered their prices for Lasmo stock, expecting the shares to come off sharply after the rumoured sale had taken place. But no *large trades in Lasmo* were forthcoming, with the day's total recorded turnover reaching *only 2.4m*.

Stories doing the rounds in the market suggested that the institutions were unhappy at the rather downbeat presentation delivered by the company in the City last week and that one of the big US investment banks was offering the big line of shares. Oil shares have generally been unsettled by the recent bout of weakness in crude oil prices which have reacted to fears of increasing output.

"It looks as though the market was spoofed and somebody got rid of a long position," said one oil specialist. Lasmo *announced yesterday the start* up of production from its Markham gas field located in the Netherlands area of the North Sea.

BCI in the frame

Last week's move by Hanson to withdraw from the battle to take over Ranks Hovis McDougall unleashed another bout of speculation that Hanson has lined up another target. And some market observers took the line that the conglomerate may well have Blue Circle Industries (BCI), the big UK building materials group, *in its sights. The shares* rose 4 to 170p, after 172p. Hanson slipped 2¼ to 227¼p.

The market's suspicions were further aroused yesterday when a buyer of 2.5m BCI shares appeared in the market. The shares were acquired in various parcels during the day, dealers said. Turnover reached a hefty 5.5m shares, the latest in a series of larger-than-usual busy days in the stock.

Takeover speculation has surrounded BCI for a number of years. During the late-1980's Hanson was thought to have been behind a market raid for BCI *stock that netted only* a handful of shares. More recently a number of overseas *companies are thought to have* taken a hard look at the company. Among the names mentioned were *Lafarge Coppee* and MB Caradon.

Worries over future profit growth persisted around Granada as speculation continued that the group was ready to *table an offer for Forte's* catering subsidiary, Gardner Merchant. Analysts said that Granada's reliance on cost cutting to bolster profits meant that a sizeable acquisition was important to any future growth strategy. However, this also exposed concerns that such an undertaking – Gardner Merchant would command a price tag of some £400m – would require a rights issue, a precarious undertaking in the present climate. It was also suggested that weekend press *reports on Granada's* intentions came from the group itself and were designed to manoeuvre Forte away from negotiations believed to be under way with the Gardner management. Granada shares tumbled 10 to 263p. Forte was steady at 158p.

In a busy oil sector British Gas eased a penny to 276p after a block of 4.1m shares was placed in the market at 273¼p. Very late in the session dealers said another big institution had sold a line of 6.4m shares at 271p.*BP* were active and managed to edge up 2½ to 228p on 5.4m traded. Shell, *scheduled to report third quarter* numbers on Thursday, hardened 2 to 530p.

Calor shares, aggressively bought in recent sessions by one of the big UK integrated houses, fell back sharply, closing 7 off at 233p. Oil specialists expect SHV, the private Dutch investment group, to announce that it has topped up its *shareholding from 46 per cent to 48 per cent*.

Barclays remained the heavi*est traded stock in the banks*, the shares rallying 7 more to 363p on 5.1m. Lloyds rose the same amount to 492p. HSBC, now ranked the UK's fifth biggest company measured by its market capitalisation which is more than twice that of the next bank, NatWest, moved up 5 more to 560p.

SG Warburg, scheduled to report lower interim figures this morning, dipped 14 to 524p.

Composite insurances showed General Accident a vulnerable market in front of today's third quarter numbers which County NatWest expects *will show a sharp reduction* in losses. County expects the company to report a qaurterly *loss of £10m against last time's* £129m. General Accident shares dropped 12 to 536p. Royal, due to report on Thursday lost 11 to 226p.Among internationals, BAT continued to bask in the glow of last week's favourable results and the shares added 10 to 937p. The weak copper prices seen at the end of last week and reports of sell advice from UBS Phillips & Drew left RTZ 14 lighter at 629p. A profits downgrade said to have come from Nomura hit Inchcape and the *shares fell 9 to 490p*.

In transports, reports of profit downgradings weakened BAA *which reported a 46 per* cent jump in interim figures. The shares fell 11 to 747p. Also in the doldrums was British Airways, where a sell recommendation from a leading broker clipped 11 off the shares to 292½p.

Weakness in SmithKline Beecham was attributed to a warning of tough trading ahead from leading US drugs group Merck last Friday. It was also revealed that Merck would not be co-marketing one of the UK group's products. SmithKline shares dropped 11¼ to 512½p.

Leading property stocks *were mildly positive on the* weekend press speculation over interest rate cuts. Slough Estates rose 3 to 137p.

Confirmation that resignations among Virgin executives had occurred sent Thorn-EMI lower. They closed 10 lighter at 807p. Rank Organisation retreated 9 to 615p as profit-takers took their toll.

A *shortage of stock* sent Booker forward, the shares lifting 15 to 390p. Unilever *retreated on nervousness over* the Gatt talks, although analysts pointed out that the company would suffer little should a trade war break out. The stock fell 14 to 1066p. Shares in Unigate strengthened 10 to 297p. Early talk that an unnamed German group was scanning the European foods market for a baby foods group was said to have helped.

Nervousness ahead of results on Thuraday dented Burton, the retail clothing group, which weakened 2¼ to 45p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 24

FT-A All-Share Index (chart, 1992)

Equity Shares Traded — Turnover by volume (million). Excluding: Intra-market business & Overseas turnover (chart, 1992)

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (145).
BRITISH FUNDS (81) OTHER FIXED INTEREST (7) African Dev. 11¼pc '10, Asian Dev. 10¼pc '09, B'ham. 11½pc '12, Leeds 13½pc '06, M'chester 11½pc '07, N'wide [illegible] … GENERAL (3) Brammer, File Idmar, Hall, HOTELS & LEISURE (1) Queensmoat?, INSURANCE BROKERS (1) Oriel, INSURANCE LIFE (1) Irish Life, INVESTMENT TRUSTS (1) Japan OTC Wts., MEDIA (2) HTV, Yorks. Tyne-Tees, MERCHANT BANKS (1) Wintrust, METAL & METAL FORMING (1) Apollo Metals, MISCELLANEOUS (2) Pittard Garnar, Waterman Partnership, OIL & GAS (2) Aberdeen, Lasmo Ops., OTHER FINANCIAL (2) Baltic, Brown Shipley, PROPERTY (1) London Secs. 8¼pc Pf., STORES (1) Alexon, TEXTILES (2) Castle Mill, Wensum, MINES (4) Blyvoor, Deelkraal, Driefontein, Kloof Gold.

[illegible]

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2695.4 -7.3	2580.4 +1.4	1276.44 -2.62

	Nov 9	Nov 6	Nov 5	Nov 4	Nov 3	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2695.4	2702.7	2711.1	2691.7	2705.6	2575.5	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2580.4	2579.0	2572.2	2580.7	2558.8	2540.9	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1301.7	1304.4	1307.0	1298.3	1303.5	1252.1	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2702.7	2705.0	2694.4	2697.4	2698.5	2698.1	2697.1	2695.1	2697.6	2705.8	2694.2
FT-SE Mid 250	2576.6	2582.5	2576.4	2576.8	2579.1	2579.2	2579.5	2580.3	2581.6	2582.6	2576.0
FT-SE-A 350	1304.4	1305.7	1301.0	1302.1	1302.8	1302.7	1302.3	1301.6	1302.7	1305.9	1300.9

Gross dividend yield (ACT at 25%) FT-SE 100:4.47 %

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS — Monday November 9 1992

Figures in parentheses show number of stocks per section. Columns: Index No. | Day's Change % | Est. Earnings Yield% (Max) | Gross Div. Yield% (Act at (25%)) | Est. P/E Ratio (Net) | xd adj 1992 to date | Fri Nov 6 Index No | Thu Nov 5 Index No | Wed Nov 4 Index No | Year ago (approx) Index No.

1 CAPITAL GOODS (174); 2 Building Materials (23); 3 Contracting, Construction (26); 4 Electricals (9); 5 Electronics (27); 6 Engineering-Aerospace (6); 7 Engineering-General (43); 8 Metals and Metal Forming (7); 9 Motors (15); 10 Other Industrials (18); 21 CONSUMER GROUP (192); 22 Brewers and Distillers (25); 25 Food Manufacturing (19); 26 Food Retailing (18); 27 Health and Household (26); 29 Hotels and Leisure (18); 30 Media (27); 31 Packaging, Paper & Printing (17); 34 Stores (33); 35 Textiles (9); 40 OTHER GROUPS (116); 41 Business Services (18); 42 Chemicals (22); 43 Conglomerates (10); 44 Transport (13); 45 Electricity (16); 46 Telephone Networks (4); 47 Water (11); 48 Miscellaneous (22); 49 INDUSTRIAL GROUP (482); 51 Oil & Gas (18); 59 500 SHARE INDEX (500); 61 FINANCIAL GROUP (83); 62 Banks (9); 65 Insurance (Life) (6); 66 Insurance (Composite) (7); 67 Insurance (Brokers) (10); 68 Merchant Banks (7); 69 Property (30); 70 Other Financial (14); 71 Investment Trusts (70); 99 ALL-SHARE INDEX (653) — [illegible]

FT-SE Actuaries 350 Industry Baskets

Hourly: Constrn, Health & H, Water, Banks — [illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. … [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years) — [illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2006.6	2007.0	1998.1	2000.2	2000.6	2000.3	2000.3	1998.6	2000.6	2008.3	1995.4

Volume	Nov 9	Nov 6	Nov 5	Nov 4	Nov 3	Year ago
SEAQ Bargains	27,036	27,278	24,598	25,618	29,139	26,518
Equity Turnover(£m)†	-	1235.3	1516.4	1152.0	1240.6	964.8
Equity Bargains†	-	31,391	28,835	29,127	32,414	24,999
Shares traded (mil)†	-	530.6	597.9	447.3	503.3	462.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

Turnover in stock index futures fell to its lowest level for nearly a year, as investors stayed on the sidelines ahead of the Chancellor's autumn statement on Thursday, writes Joel Kibazo.

Having opened at 2,727, the December contract on the FT-SE briefly sprang to life moving forward to 2,733 within minutes of the opening. But with no enthusiasm for dealing, December quickly lost its earlier momentum and came back to fall to the day's low of 2,717.

Thereafter, the contract was traded in a narrow 11 point range of 2,720 and 2,731 but with little in the way of actual buying or selling. Dealers pointed, however, to the continued healthy premium to fair value which some put it down to lack of liquidity in both cash and futures.

December ended the session at 2,723, down 9 on Friday's close and around 9 points above its estimated fair value premium of about 17. Turnover at 3,932 was the lowest recorded since December 1991.

Traded options suffered from the same malaise and volume reached a meagre 17,563 lots. Turnover in the FT-SE 100 option was 6,330 up on Friday's 4,556. Among stock options, J Sainsbury was the most actively traded, recording a total of 2,002 trades. This was followed by Tesco at 1,806 and by Asda at 1,146. Hanson also had a busy day with some 1,132 lots dealt in its options.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	18xd	[illegible]	19	14	15,341	2.1
♥Allegheny & W		440p	-14	464p	226p	228.7	4.3
Amdahl		539p	-14	1189p	455p	685.3	1.2
Amer Cyanamid		37⅝	—	37⅝	28⅝	3,286	2.8
Amer Express		13½xd	-⅛	[illegible]	10	6,438	4.7
Amer T & T		29xd	+⅛	29	20½	38,882	2.8
Ameritech		41⅞	-½	43½	32½	18,334	5.3
BankAmerica		27⅝xd	+	27⅝	19	9,518	3.0
Bankers NY		42¼xd	+⅛	42¼	28⅞	3,431	4.1
Bell Atlantic		29½	-½	31¼	23¼	12,739	5.6
BellSouth		31⅞	-⅛	34⅛	25	15,983	5.5
♥Bethlehem Steel		8xd	+	9⅝	5¾	808.6	—
Bowater		1346pxd	-12	1578p	905p	486.6	[illegible]
CPC	h	32⅛xd	+¼	32⅛	22⅞	4,866	[illegible]
♥Cadiz Land Inc		129p	—	342p	108p	—	—
California Engy		924p	—	924p	691p	108.2	—
Chase Manhattan		16xd	+	16½	9⅛	2,398	4.7
Chrysler		17⅝xd	+¼	17⅞	6¼	5,153	2.1
Citicorp		11xd	+⅛	11	5⅜	4,159	—
Colgate-Palm		37¼xd	+⅛	38½	25¼	6,938	2.1
Cont'l Bank		1173p	-6	1179p	499p	1,186	3.2
Dana		28¼xd	+¼	28¼	14	1,295	3.6
Data General		608p	-7	1804p	384p	182.1	—
♥Decora Inds		146p		146p	66p	—	—
Dun & Brad		37½	-⅛	37⅞	27⅞	6,060	3.8
Eaton		47⅞	—	48¼	32½	1,844	2.9
Echlin		13xd	+¼	13	7⅞	747.8	3.4
FPL		23¼xd	—	23¾	17	4,199	6.6
Fluor		29⅞xd	-⅛	29⅞	19¼	2,382	0.9
Ford Motor		26¼xd	—	28⅛	15	12,318	2.5
Gen Elect		50⅝xd	-⅛	51⅛	36¾	43,249	2.9
♥General Host		587p	+20	609p	360p	—	3.8
Gillette		38xd	+⅛	38½	23	8,326	1.2
Hasbro		21⅛	—	22	12⅞	1,834	0.6
Honeywell		40¾	-	47	[illegible]	[illegible]	[illegible]
Houston Inds		29½	+⅛	29½	[illegible]	[illegible]	[illegible]
IBM		43¼xd	+⅛	64½	[illegible]	[illegible]	[illegible]
Ingersoll-Rand		28	+	29⅝	[illegible]	[illegible]	[illegible]
Lockheed		30¼	—	30⅞	[illegible]	[illegible]	[illegible]
Lowe's	h	1328p	+10	1328p	[illegible]	[illegible]	[illegible]
Merrill Lynch		37¼xd	+⅛	39	[illegible]	[illegible]	[illegible]
Morgan (JP)		41⅝xd	—	41⅝	[illegible]	[illegible]	[illegible]
Morris (Philip)		56¼xd	-⅛	51	[illegible]	[illegible]	[illegible]
NYNEX		61¾	-1	64¼	[illegible]	[illegible]	[illegible]
Pall		19⅝	-⅛	20	[illegible]	[illegible]	[illegible]
Pennzoil		35xd	-	36	[illegible]	[illegible]	[illegible]
Quaker Oats		43xd	-	44	[illegible]	[illegible]	[illegible]
Rockwell		16⅝xd	—	16⅞	[illegible]	[illegible]	[illegible]
Rep NY		29⅛xd	+⅛	29	[illegible]	[illegible]	[illegible]
Sears, Roebuck		27⅞xd	+	28	[illegible]	[illegible]	[illegible]
Sthwestern Bell		42	-⅛	43⅞	[illegible]	[illegible]	[illegible]
Sun Co		15⅞xd	-¼	18	[illegible]	[illegible]	[illegible]
Tenneco		22½xd	-⅛	23	[illegible]	[illegible]	[illegible]
Texaco		38⅞xd	+⅛	38	[illegible]	[illegible]	[illegible]
Time Warner	h	16⅝	+	16⅝	[illegible]	[illegible]	[illegible]
♥Unitab		324p	—	587p	[illegible]	[illegible]	[illegible]
♦URS Intl. Ic		6¼p	—	1¼p	[illegible]	[illegible]	[illegible]
US West		33½	-⅛	34⅝	[illegible]	[illegible]	[illegible]
Varity		1312p	-22	1386p	[illegible]	[illegible]	[illegible]
Waste Manage		20¼xd	+	28¼	[illegible]	[illegible]	[illegible]
Whirlpool		2550pxd	-80	2758p	[illegible]	[illegible]	[illegible]
♥Woolworth		32	+	32	[illegible]	[illegible]	[illegible]

CANADIANS

	Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
♥Abbot Energy		2p	—	2p	[illegible]	[illegible]	[illegible]
Amer Barrick		1951p	-20	2000p	[illegible]	[illegible]	[illegible]
Bk Montreal		24⅛	-⅛	28	[illegible]	[illegible]	[illegible]
Bk Nova Scot		1219p	-35	1296p	[illegible]	[illegible]	[illegible]
♥BC Gas		764p	—	879p	[illegible]	[illegible]	[illegible]
BCE		22⅛	-½	24½	[illegible]	[illegible]	[illegible]
♥Brascan		840p	-78	986p	[illegible]	[illegible]	[illegible]
♥Breakwater		19p	+1½	33p	[illegible]	[illegible]	[illegible]
Can Imp Bk		1434p	-44	1818p	[illegible]	[illegible]	[illegible]
Can Pacific		788p	-19	938p	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 High	1992 Low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	†‡	179½	-½	182	147	3.3	211.4	15.1
Warrants		38½	—	38	21	–	–	–
Scot Mortgage	‡†	170xd	—	171	135	3.1	199.0	14.8
Scot National Inc	‡	80½	+1½	107	65¾	15.2	–	–
Cap		15	-1	42	12½	–	24.0	20.8
Stepped Pf		164¼	—	164¼	128	6.3	–	–
Zero Div Pf		198	+1	198	166½	–	–	–
Warrants		6	—	9	3	–	–	–
Scot Value	ta	64	—	64	48	3.8	63.4	-1.0
Sec Alliance	‡	1311	+2	1315	1080	3.7	1483.9	11.7
Second Market	‡	255	—	255	222	6.8	303.3	16.1
Sec Tst Scot	‡	76½xd	+½	76½	61	6.1	76.6	0.0
Select Assets		102	+1	102½	78½	1.1	149.6	31.8
Eq Ind Sert		121	—	123	100	4.7	–	–
Eq Ind SertB		121	—	123	100	4.7	–	–
SHIRESCOT		98	+1	98	98	–	100.0	2.0
Shires	‡	208	—	240	185	11.7	215.5	3.3
11pc Cv Ln '03/04		£107	+½	£110½	£95½	10.8	–	–
Stem Select		100	+1	100	88	[illegible]	[illegible]	[illegible]
Warrants		15	—	21	10	–	–	–
Smaller Cos		66	—	66	66	6.1	77.3	15.3
Warrants		10	—	20	10	–	–	–
Somerset Tst		114	—	140	55	–	87.9	-29.6
Sphere Inc	N	15xd	—	28	8½	31.8	22.8	45.3
Zero Div Pf		76¼	+½	77¾	63¾	–	–	–
Small		35	—	56	30	4.8	93.4	62.5
TR City of Lon		117½	+½	127½	97½	5.4	117.0	0.2

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

payment.
I Indicated dividend yield, p/e ratio based on latest annual earnings.
prospectus or other official estimates for 1992-93
Z Dividend yield to date.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other
Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Grofund American	5	145.3	147.0	154.7	+1.10	0.60
AIB Grofund Equity	5	189.7	192.5	203.7	-0.20	1.83
AIB Grofund Euro	5	140.8	143.1	150.7	+0.40	0.42
AIB Grofund Cap Accumul	5	96.68	97.20	100.3	+0.30	0.00
AIB Grofund Gth	5	75.72	75.75	78.09	+0.33	5.47
AIB Grofund Japan	5	119.6	121.0	127.3	[illegible]	[illegible]

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Ho, Corporation St, Coventry 0203 553231

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth

Abbey Unit Tst Mngrs (1000)H

Brycourt Unit Tst Mgmt Ltd (1400)F

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing 0277 261010

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	115.70	116.00xd	122.10	+0.30	6.22
Pooled Pension ♦	3½	137.5	142.0	146.9	...	–
Smaller Cos	5	50.02	51.82xd	54.55	+0.13	2.58
UK General	5	109.60	111.20	117.10	-0.20	2.80
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	351.24	351.24	372.31	+0.24	5.53
Global Inc	5	50.04	50.04	53.04	+0.07	4.58
Brit Leaders	5	298.19	298.19	316.08	+0.13	3.23
Intl Leaders	5	163.68	163.68	173.90	+0.72	1.89
P Ang Am Bal Gwth Acc ♦	3½	47.93	48.71	50.61	+0.18	4.23
P An Am Bal Gwth Inc ♦	3½	47.93	48.71	50.61	+0.18	4.23
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	45.71	45.87xd	48.79	+0.08	1.70
Far Eastern Tst	6	52.72	53.12	56.52	-0.11	0.87
Smaller Cos	5	104.9	114.2	121.5	+0.3	3.08
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ♦	5	253.4	253.9	268.6	+1.5	0.99
S & W Capital	5	105.8	105.8	113.3	-0.1	1.89
S & W Cash ♦	0	100.98	100.98xd	100.98	+0.02	7.97
S & W European	5	103.2	103.4	109.4	-1.0	1.47
S & W Far Eastern	5	110.2	111.1xd	117.5	-0.1	0.01
S & W Growth	5	113.5	114.6xd	121.3	-0.3	1.45
S & W Income	5	97.27	98.56xd	104.2	-0.2	5.77
S & W Magnum	5	112.2	112.2	120.3	-0.1	1.83
S & W Smllr Secs	5	244.3	249.9xd	264.4	-0.1	0.91
S & W Thoroughbred	5	129.0	129.0xd	138.3	-0.1	1.83
Societe Generale Tourche Remnant (1600)F						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	88.22	88.22xd	90.27	+0.48	0.00
Short Dtd Gilt	1¼	107.7	107.7	109.1	+0.2	1.93
U.S. Govmt Bond	1¼	[illegible]	[illegible]	[illegible]	[illegible]	0.00
Gilt Income	4	52.02	52.02	54.13	+0.33	6.68
Gilt Growth	4	64.03	64.03	66.65	+0.26	0.00
City Reserve	0	55.04	55.04	55.04	+0.01	8.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG						
Stockmarket Fd F	5	59.14	59.29	63.07	-0.18	2.70

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expl Oct 28	636.5	658.2	...	1.06
James Capel Fund Managers Ltd				
Managed Exempt	118.993	125.484	-0.437	4.31
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Oct 31	544.70	548.30	...	5.40
Fxd Int Sec Oct 31	151.40	152.10	...	9.53
Deposit Fund: See Money Market Trust Funds				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Gwth Mngd	615.2	684.5	-0.3	–
Adventurous Mngd	147.7	[illegible]	-0.3	–
Cautious Mngd	118.5	[illegible]	+0.1	–
Cash Fd.	313.1	330.0	....	–
Property Fund	217.1	231.0		–
Equity Fund	703.2	748.1	-0.9	–
Fxd. Int. Fund	388.1	409.0	[illegible]	–
International	[illegible]	338.5	-0.7	–
High Income	[illegible]	569.4	+0.6	–
Far East	430.2	457.7	-4.0	–
North American	404.3	430.2	+2.2	–
Special Sits	491.3	522.7	-1.2	–
Technology	[illegible]	423.9	+2.3	–
Extra Inc Fd.	289.4	307.9	[illegible]	–
Convertible & Gilt Fd	140.2	149.2	+0.3	–
American Income	166.0	176.6	+0.3	–
Gilt Fund 20.	439.5	467.6	+1.6	–
European Fund	112.3	119.5	[illegible]	–
Pref & Fixed Int	105.2	112.0	+0.3	–
UK Blue Chip	110.1	116.1		–
Recovery Fund	100.6	106.1		–
Equity Income Dist.	97.4	103.7		5.02
Managed Dist.	93.7	99.7		5.32
High Yield Dist.	99.9	105.3		7.71
Pension Funds				
Balanced Gth Mngd Pens Acc.	704.9	742.1	+0.8	–
Adventurous Mngd Pens Acc.	153.7	161.8	-0.2	–
Cautious Mngd Pens Acc.	135.2	142.4		–
Building Soc. Acc	360.0	379.0		–
Property Pens. Acc	294.8	310.4		–
Fix Int. Pens. Acc	612.9	645.2	+2.8	–
Equity Pens. Acc.	891.1	938.0	+0.5	–
International Pens Acc.	293.2	308.7	-0.8	–
High Inc Pens Acc.	589.9	621.0	+1.4	–
Tech Pens Acc.	280.3	295.1	+2.2	–
N American Pens Acc.	304.0	320.0	+2.0	–
Far Eastern Pens Acc.	425.1	447.5	-9.3	–
Special Sits Pens Acc	400.7	421.8	[illegible]	–
Extra Income Pens Fd	348.2	366.6	-2.7	–
Convertible & Gilt Pen.	171.0	180.1	+0.8	–
American Inc Pens.	189.1	199.1	+0.2	–
European Pens.	124.5	131.1	-0.3	–
Managed Cash Pens	169.4	178.4		–
Pref & Fixed Pens	122.7	129.2	-0.1	–
UK Blue Chip	115.9	122.1	+0.1	–
Recovery Fund	105.7	111.3		–
Building With Profits Pens.	106.2	111.8		–

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or –	Yield Gross
Deposit Acc Fd	166.3	175.1	+0.1	–
Equity Acc Fd.	377.1	397.0	[illegible]	–
Managed Acc Fd.	334.0	351.6	..	–
Prop Fd (1st Issue)	–	594.5	.	–
Prop Acc Fd (2nd Iss)	120.6	127.0	......	–
Unit Trust Mn Fd.	149.7	157.6	.	–
RL Pension Funds				
Deposit Acc.	240.7	253.4	+0.2	–
Equity Acc.	275.6	290.1	-0.9	–
Fixed Int Acc	244.1	256.9	...	–
Gilt Indx Lkd Acc.	185.7	195.5	..	–
Managed Acc.	365.4	384.6	.	–

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
JRA/M&G Managed	107.5	113.2	+0.1	–
JRA/Scottish Amicable Mngd	101.8	107.2	+0.2	–
JRA/St James's Place Mngd	110.3	116.2	-0.1	–
Deposit	99.0	104.3	..	–
Far East	114.8	120.9	-0.4	–
Gilts	105.1	110.7	+0.5	–
Greater European	107.9	113.6	[illegible]	–
North American	119.4	125.7	+0.3	–
UK Equity	105.0	110.6	+0.2	–
Pension Funds				
JRA/M&G Managed cap	105.1	110.7	+0.2	–
JRA/M&G Managed acc	109.1	[illegible]	+0.2	–
JRA/Scottish Amicable Mngd cap	98.5	103.7	+0.3	–
JRA/Scottish Amicable Mngd acc	101.2	106.6	+0.3	–
JRA/St James's Pl Mngd cap	112.2	118.2	-0.3	–
JRA/St James's Pl Mngd Acc	[illegible]	121.6	[illegible]	–
Deposit cap	99.20	[illegible]	+0.1	–
Deposit acc	102.0	107.4	+0.1	–
Far East cap	112.0	117.9	[illegible]	–
Far East acc	115.2	121.3	-0.3	–
Gilts cap	103.2	108.7	+0.4	–
Gilts acc	106.2	111.8	+0.4	–
Greater European cap	107.8	113.5	-0.3	–
Greater European acc	110.8	116.7	-0.3	–
North American cap	122.7	[illegible]	+0.5	–
North American acc	126.1	132.8	+0.5	–
UK Equity cap	101.7	107.1	+0.3	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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IBI Global Funds Limited

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Stlg Gwth	£20.35	21.41		-
Intl $US Gwth	$17.71	18.65		-
High Income Gilt	£26.07	27.02		-
International Equity	£20.28	21.36		-
International Bond	£22.62	23.45		-
Managed Currency	£27.49	27.78		-
Sterling Currency	£26.28	26.56		-
US$ Currency	$37.69	38.08		-
Irish £ Currency	I£15.02	15.18		-

Target International (Isle of Man) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
JMC Offshore Fd	£8.98	9.68		-
B F Offshore Inc Fd Ltd	C11.50	12.02		-
LFM Sterling Fd	£11.03	11.50		-

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

PO Box 468 St Helier Jersey 0534 36633

AIB Currency Funds Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Managed Bond	5		20.8035	20.8446		-
[illegible]						

AIB Graingel Currency Fund Limited

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stlg Mngd Currency	5	£	10.8932			-
Sterling Currency Fd	5	£	10.4764			-
Ecu Currency	5	Ecu	10.6773			-
US Dollar Mngd Curr	5	$	21.4661			-

Barclays International Funds

PO Box 152, St Helier, Jersey CI 0534 67888

Lloyds Bank Trust Co (CI) Mngrs

Dealing weekly on Thursday

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Nat. Westminster Jersey Fd. Mgrs. Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Royal Trust Intl Fd Mngt Ltd

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dealers move focus to Gatt

THE DOLLAR slipped by more than ½ pfennig against the D-Mark in Europe on profit-taking yesterday, after failing to sustain a break through DM1.60, *writes James Blitz.*

The US currency rose by more than 5 pfennigs last week, and speculative players appeared to be cashing in on those movements. Yesterday the dollar closed in London at DM1.5885. Later in New York, however, it performed strongly, ending at DM1.6041.

Otherwise, the market's attention was firmly fixed on sterling, which fell to a five-year low against the dollar in late European trading.

Dealers sold the pound in the belief that base rates could be lowered by as much as 2 per cent when the UK chancellor makes his autumn statement this week.

Sterling lost some 1¼ cents to close at $1.5210 in London, and continued to drop in New York, finishing at $1.5105. The last time the pound was seen at this low level was on January 15, 1987.

Yesterday, sterling dropped 3½ pfennigs against the D-Mark, ending at DM2.4150.

The market continues to be moved by a strong belief that Germany will ease short-term credit policy in the new year, pushing the dollar upwards. The possible break-up of the Gatt talks is also being cited as a reason why the dollar may be boosted in the short-term.

A full-scale trade war between the US and Europe, if it is allowed to happen, would be detrimental to the entire world economy in the long run. But Mr Jeremy Hawkins, senior economic adviser at Bank of America in London, points out that the relative insulation of the US economy on matters of trade makes the Gatt crisis a positive factor for the dollar.

In the US economy, for example, only 10 per cent of Gross National Product is made up of imports and exports. In France's case, the figure is 20 to 25 per cent.

Mr Hawkins further commented: "If tariffs are levied against, say, the French wine industry, this could have a knock-on effect for the economy and the French franc."

For the moment the market is waiting on developments in Europe and the US. Indeed, the French franc yesterday was firmer against the D-Mark after the Bank of France decided not to cut its money market intervention rate, contrary to market expectations. It finished at FFr3.3810 per D-Mark, after a previous close of FFr3.3820.

Ms Joanne Perez, an economist at Banque Indosuez in Paris, said yesterday that the French authorities could probably afford to reduce rates again without risking any downside on the currency.

"A cut in rates would confirm that France is part of the hard core of the exchange rate mechanism, and would be interpreted as a show of strength," she said. However, she believes it is unlikely that the French authorities will cut rates to below the German level, in spite of public pressure to do so.

£ IN NEW YORK

Nov.9	Close	Previous Close
£ Spot	1.5100 - 1.5110	1.5285 - 1.5295
1 month	0.55 - 0.54pm	0.58 - 0.56pm
3 months	1.24 - 1.21pm	1.38 - 1.35pm
12 months	3.27 - 3.18pm	3.60 - 3.50pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4876	-3.50	4.77	48
Dutch Guilder	2.29193	2.21542	-3.34	4.60	43
D-Mark	2.03412	1.96924	-3.19	4.44	44
Danish Krone	7.75901	7.54516	-2.76	3.98	12
French Franc	6.82216	6.65691	[illegible]	3.62	-4
Irish Punt	0.759300	0.743637	-2.06	3.24	-30
Portuguese Escudo	176.844	175.138	-0.96	2.10	-1
Spanish Peseta	139.176	140.722	1.11	0.00	-41

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Floating rate. Iran Official rate:£100 75 $65.50

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

CHICAGO

LONDON (LIFFE)

PARIS

BASE LENDING RATES

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MONEY MARKETS

UK prices in cuts

WITH ONLY three days to go to the British government's Autumn Statement, traders in the sterling cash market priced a full percentage point cut in base rates into their cash market operations yesterday, *writes James Blitz.*

However, futures contracts in sterling and other European currencies fell back on a mixture of profit-taking and slight disappointment that there had been no easing of official credit policy in the UK and France.

The Bank of France did not change the money market intervention rate, currently standing at 9.35 per cent, in yesterday's securities repurchase operation.

The sterling cash market was again hit by the liquidity problem that affects the market when there is a high expectation of interest rate cuts.

UK clearing bank base lending rate 8 per cent from October 16, 1992

The Bank of England forecast a shortage of £950m at the start of operations, but only £51m was removed in the early round. Traders were unwilling to offer bills in the run-up to what one commercial bank dealer called "the most publicised rate reduction in the history of mankind".

In the morning, the one-month cash rate was trading well below the Bank's established rate for a 21-day repo, explaining the market's reluctance to offer bills. The overnight rate peaked at 15 per cent.

Once this level had been reached, dealers were happier to borrow cash from the Bank at established rates, and lend on the "overnight". This brought out more bills in the afternoon, although there was late assistance of £430m.

Three-month money closed at 7¼ per cent offered, down from Friday's 7⅜ per cent. One dealer did not rule out the possibility that three-month money could go below 7 per cent before Thursday.

The December short sterling contract, which expires on December 16, fell back 14 basis points from its opening level to close at 93.60.

This can still price in a 200 basis-point fall in base rates before the year's end, and the decline reflected slightly gloomier sentiment across the world rather than any creeping bearishness in UK markets.

One commercial bank dealer said the price adjustments were due to a rise in 3-month dollar cash rates to 3¾ per cent, compared to the Fed Funds rate of 3 per cent. Tighter US conditions preceded this week's big Treasury Bond issues, which are expected to show a rise in yields.

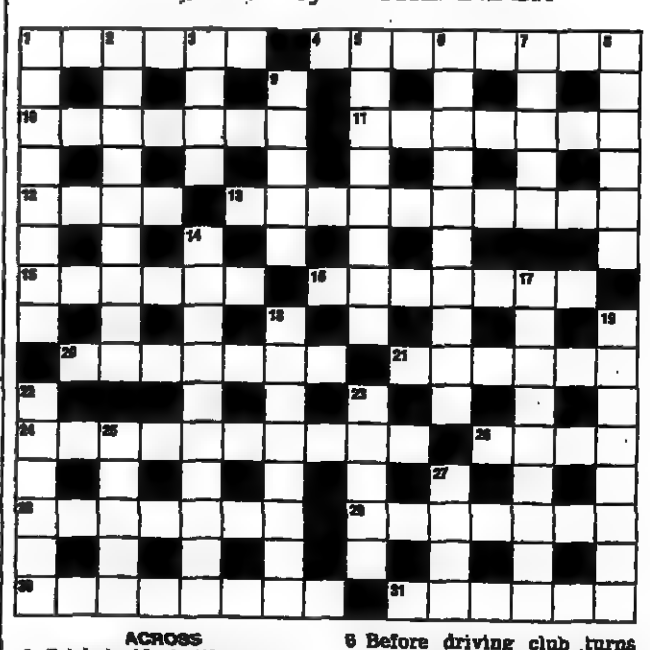
FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CROSSWORD

No.7,999 Set by HIGHLANDER



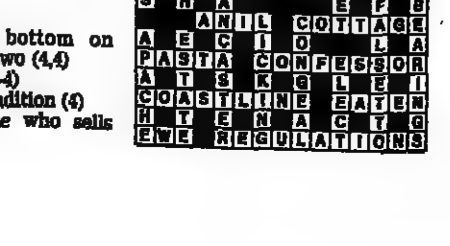
ACROSS

1 Cricket side batting second needs to play smoothly (6)
4 Breathe hard after loud back-chat becomes impertinent (8)
10 Covering live broadcast in middle of Wigan (7)
11 Struggle for victory with air force unit watching (7)
12 Very sensible flavouring (4)
13 Commercial forest uses heavy equipment – so-called eastern type (10)
14 Failing to follow post-Christian recommendations (6)
16 Meat cooked in ovens (7)
20 Uneven in weight but hammered into shape (7)
21 Fasten on target the other way round (6)
24 Timber used in footwear manufacture? (10)
26 Fix firmly: use English wood (4)
28 Tempo separates Beethoven symphony from titillating stuff (7)
29 Artemis arranged by musical virtuosi (7)
30 Uncover evil – tried originally to conceal it (8)
31 Good climbers use her in spring (6)

DOWN

1 Adore putting bottom on chair meant for two (4,4)
2 Check crossing (5-4)
3 Prune in good condition (4)
5 In Paris, the one who sells perfume (8)
6 Before driving club turns round, debts are inadequately secured (10)
7 Passage quoted twice by defence in criminal case (5)
8 Last part is extract from draft agenda (3,3)
9 Not completely unfit – in time can be nimble (5)
14 The act of holding a job (10)
17 Clothing supplier makes old hat more suitable (9)
18 Saw and chose cocktail cabinet (8)
19 Heavenly with a decorative stem (8)
22 Climb up tail on donkey, so to speak (6)
23 Award for bravery held by toy soldier (5)
25 Starts to negotiate over agreements for recesses (5)
27 Work in harmony with Mark? He's mad! (4)

Solution to Puzzle No.7,998



هكذا اصل الأصل

WORLD STOCK MARKETS

AUSTRIA

November 9	Sch	+ or −
Austrian Airlines	1,875	−85
Creditanstalt Pf	420	−6
EA General	3,005	−95
EVN	752	−14
Jungbunzlauer	16,300	−300
OeMV	647	−19
Perlmooser Zement	1,090	....
Radex Heraklith	372	−16
Reininghaus Brau	980	−4
Steyr Daimler	182	−2
Veitscher Magnesit	207	−8
Verbund (Br) A	399	−3
Vienna Int Airport	462	+1
Wienerberger	3,000xr	−30
Z-Laenderbank	1,020	....

BELGIUM/LUXEMBOURG

November 9	Frs.	+ or −
AG Group	2,135	−5
Ackermans	2,450	....
Almanij	6,110	+10
Arbed	2,155	−45
BBL	3,435	+10
Bank Intl a Lux	11,500	....
Banq Gen Lux Pts	11,950	−550
Banque Nat Belg	32,000	−25
Bekaert	12,400	−50
CBR Ciment	7,750	−50
CMB	1,600	....
Cobepa	4,270	+10
Cockerill Priv	112	−1
Colruyt	5,100	....
Delhaize Frs Lion	1,470	−16
Electrabel	5,260	+80
Electrabel AFV1	5,160	+40
Electrafina ACT	2,185	+5
GBL	2,665	+5

FRANCE (continued)

November 9	Frs.	+ or −
Carnaudmetalbox	181.50	−1.50
Carrefour	2,411	−39
Casino	145.80	−0.20
Chargeurs	1,241	....
Club Mediterranee	380	−3.90
Cogifi	301.50	....
Coparex Int	590	....
C C F	208.50	+2.50
Cr Fonc France	905	+8
Cred Lyon (CI)	391.80	−6.20
Credit National	1,079	+1
Damart	2,999	−41
Docks de France	385	−14
Dollfus Mieg Cie	297.50	−0.50
EBF	789	+4
Eaux Cie Genl	2,020	−14
Ecco	355	+4
Elf Aquitaine	367.40	+3.50
Elf Aquitaine Certs	256.50	+0.50
Elf Sanofi	1,060	−3
Eridania B-Say	581	−26
Eridania B-Say CI	478	−11
Essilor Int	388	+5
Etex	1,600	−35
Eurafrance	1,141	−1
Euro RSCG	435	−1
Euro Disney	81.25	+1.25
Fin Pollet	396	−5
Finextel	107	+6.50
Fonc Lyonnaise	540	−27
From C et Auv	3,400	+100
GTM-Entrepose	287	−8
Gal. Lafayette	1,815	+65
Gaumont (Soc N)	360	−10
Geophysique	590	−9
Hachette	100.20	−1.80
Havas	434.50	−0.20
Imetal	308	+8

CANADA

TORONTO

4 pm close November 9

INDICES

NEW YORK

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

TOKYO - Most Active Stocks

Monday, November 9, 1992

MONTREAL

4 pm close November 9

4 pm close November 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
24⅝	18⅝	Atlntc Egy x	1.52	7.0	12	384	22⅛	21⅞	21⅞	-⅛
121¼	98⅝	Atl Rich x	5.50	5.0	16	2311	110⅞	109⅜	110⅛	+⅞
7	3½	Atlas			3	107	4⅜	4¼	4⅜	-⅛
23⅛	19	Atmos Engy	1.24	5.4	16	111	23⅛	23	23	-⅛
13⅝	8⅝	Atwds ADR	0.52	4.9	14	351	10⅝	10⅝	10⅝	
10¼	4⅝	AudioVid			16	74	8	7⅝	7⅞	+⅛
13¼	8½	Augat	0.40	3.6	112	258	11⅛	11	11⅛	-⅛
10⅝	7	Austria Fd	0.13	1.8		180	7⅛	d7	7⅛	+⅛
51⅛	38¼	Autom Data	0.46	0.9	25	1798	51	50⅛	50⅜	-⅜
4⅛	2	Avalon Egy			1	862	3⅛	3	3⅛	-⅛
28	21¼	Avemco	0.40	1.8	27	20	22½	22⅜	22½	
32½	23½	Avnet Inc	0.60	1.9	16	735	31⅝	31	31½	+⅛
58⅝	44	Avon Prods	1.60	2.8	25	2734	58	57⅜	57⅝	+⅛
28⅞	13	Aydin Corp			8	97	16⅛	16	16⅛	-⅛

- B -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
40¼	33⅞	BCE	2.08	6.0	10	934	34⅞	34⅝	34⅝	+⅛
16⅛	6½	BET ADR	0.53	7.8	56	281	7	6¾	6¾	-⅛
8¼	5⅝	Bairnco	0.20	3.0	12	95	6⅝	6⅛	6⅝	+⅛
19⅞	17	Baker Fent x	3.32	19.2		128	16⅞	d16⅝	16⅞	+1/16
25¼	15⅞	Baker Hugh	0.46	2.2	92	1660	21½	21¼	21¼	-⅛
30⅝	22⅝	Baldor Elc	0.52	1.7	21	298	29⅝	29⅜	29¾	+⅛
38½	28	Ball Corp	1.24	3.7	15	123	33⅞	32⅞	33¾	+⅞
8⅞	4⅛	Bally Mfg				122763	6⅛	5⅞	6	-⅛
24⅞	19¾	Baltim G&E	1.44	6.5	15	938	22⅞	22⅛	22½	-⅛
9⅜	4½	Balt Bncp	0.60	9.5	1	619	6½	6⅛	6¼	-⅛
50	42¼	Banc One	1.28	2.6	14	4262	48⅞	48⅝	48⅝	-⅛
10⅝	2¼	BancFlrda			3	210	u10⅝	10½	10½	-⅛
30	19¼	BancoBil V	1.23	6.4	4	28	19⅝	d19⅛	19⅛	-⅜
18⅝	13	BancoCentH	0.77	6.0	6	29	12⅞	d12⅝	12⅞	-⅛
52	40¼	BcrpHawaii	1.28	2.9	10	174	44¼	43⅞	44¼	
73¼	58	Bandag Inc x	0.80	1.0	20	119	63⅛	62⅞	63⅛	
49⅝	36⅛	BankAmerica	1.20	3.0		8724	42⅞	42⅜	42¾	+⅛
78¼	55	Bank Bost	5.00	7.9		8	71	70½	70½	
25⅞	11⅛	Bank Bostn	0.10	0.6		2625	22⅛	21¼	21⅞	
44½	31	Bk Bostn P	3.20	7.6		34	42½	41⅞	42½	
47⅞	30	Bank New Y	1.52	3.2	11	780	u47⅞	47⅛	47⅛	-⅛
47⅞	42½	BankAm A x	3.25	7.2		39	45	44⅝	44⅞	-⅜
83½	72¼	BankAm B x	6.00	7.7		25	78	77¼	77½	-⅛
68¼	50	Bankers Tr x	2.80	4.3	7	1024	65⅜	65	65½	
30½	20⅛	Barclys ADR	1.81	8.2	75	8	22	21½	22	
34	22½	Bard (C R)	0.52	1.8	22	819	30	29½	29½	-½
36⅛	26¼	Barnes Grp	1.40	4.6	17	8	30⅛	30⅜	30⅛	+⅛
41⅞	31	Barnett Bk	1.32	3.1	17	3189	u42⅛	41⅛	42	+⅞
7½	4⅞	Beroid x	0.20	3.4	30	92	6	5⅞	5⅞	
6⅝	4⅝	Battle Mt x	0.10	2.0	10	1833	5⅛	5	5	-⅛
60¼	44½	Bausch Lmb	0.80	1.4	33	1861	56⅞	56⅛	56⅝	+⅞
40½	30½	Baxter	0.86	2.5	16	3476	34	32¼	33¼	+1
26½	20⅝	Bay St Gas x	1.38	5.3	16	60	26¼	25¾	26	+1¼
25⅜	21⅝	Bd Tr 1836	1.62	7.6		39	24⅛	23⅞	23⅞	-⅛
19	13⅛	Bear Stms	0.57	3.6	5	1531	15⅜	15½	15⅝	+1/16
46⅛	43⅞	BearStPfA	3.25	7.3		2	44½	44½	44½	
23⅛	16⅛	Bearings x	0.64	3.2	117	11	20⅛	20	20	+0.05
23⅞	17⅝	Beckman In x	0.32	1.4	15	749	23⅛	22	23⅛	+1
78⅞	64⅛	Becton Dks	1.20	1.6	15	206	77⅛	76⅛	77	+1
37½	25⅞	Belding Hy	0.64	2.2	21	69	29⅛	29⅛	29⅜	-⅛
49¼	40¼	Bell Atlan	2.60	5.7	13	3460	45⅞	45⅛	45⅞	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38¼	26¼	Salomonlnc x	0.64	1.8	13	3282	36¼	35¾	36¼	+¾
25	21¼	SanDgo G&E	1.44	6.1	14	304	23¾	23½	23⅝	-⅛
4⅞	2⅛	SantaFeEn x	0.40	10.0	66	94	4⅛	4	4	+⅛
9⅞	7	SantaFeEn r	0.16	1.9	959	764	8⅝	8¼	8½	
38¾	30¼	SantaFePac	2.80	7.5	15	22	37⅝	37¼	37⅜	-¼
14⅛	10⅝	SantaFeSth x	0.10	0.8	32	1324	13⅛	12¾	13	+⅞
60¼	46⅝	Sara Lee	1.16	2.0	22	2857	58⅝	57¾	58½	-⅛
9½	1¼	Savin			0	4	1⅝	1½	1½	
44¾	38⅝	Scana Corp	2.68	6.6	13	125	41	40⅝	40⅞	+⅛
47⅝	40¼	Scecorp	2.80	6.5	13	1246	43⅝	43¼	43¼	-⅜
68	49⅞	ScheringPl x	1.56	2.6	17	3289	61⅞	61¼	61⅛	
70⅝	52¼	Sch'berger	1.20	1.9	16	5296	63¼	62⅞	62⅞	+⅞
37¼	16⅝	Schwab(C)	0.24	1.0	12	1133	23	22½	22⅞	-⅛
10⅞	4½	Schwitzer			56	3	6⅝	6⅝	6⅝	
31	15⅛	ScientAtln	0.16	0.5	34	1656	30⅞	30½	30⅞	+⅛
10⅝	7⅛	Scotman x	0.10	1.1	77	14	9¼	9¼	9¼	
46	34½	ScottPaper	0.80	2.1	76	1016	38⅝	37¾	38⅛	
17½	13½	ScudrNAsF	0.22	1.5		82	14⅞	14⅝	14⅞	+⅛
9¾	8⅛	ScudrNEuF	0.30	3.7		112	8⅞	d8⅛	8⅛	-⅛
24	13	Sea Conts x	0.45	3.3	6	42	13⅞	13½	13⅝	-⅛
15¾	14⅞	SeaC1.4625	1.46	9.8		4	15¼	15¼	15¼	-⅛
31	26⅛	Seagram Co	0.56	2.1	14	1184	27⅛	26⅝	26⅞	-⅛
32	21⅛	Seagull En			85	582	30⅞	30¼	30⅞	+⅝
28½	20⅞	Sealed Air			21	91	22	22½	22½	-½
23	12⅛	SPX Corp	0.40	2.0	15	57	20¼	20	20⅛	+⅛
48	37	Sears Roeb	2.00	4.7	37	8214	43¼	42¼	42¾	
12¼	11⅞	Seligm Sel	0.84	6.9		172	12⅜	12	12⅛	
31¼	22½	Sensormat	0.30	1.1	24	288	28⅛	27¾	28⅝	+⅛
[illegible]										

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅛	8⅝	TempltGlob	0.83	8.8		464	[illegible]			
9⅞	8½	TempltGFd x	0.84	9.5		1106	[illegible]			
46	31⅛	Tennecolnc	1.60	4.8	34	3901	[illegible]			
23⅞	19½	Teppco Pts	2.20	10.2	16	68	[illegible]			
20⅛	10	Teradyne			19	358	[illegible]			
18½	6⅝	Terex	0.08	0.8	4	617	[illegible]			
6¾	4½	Terra Inds			10	369	[illegible]			
6⅝	2½	Tesoro Pet			1	314	[illegible]			
66⅞	58⅛	Texaco	3.20	5.3	16	9808	[illegible]			
64½	62	Texaco C	3.75	7.1		2	[illegible]			
26⅛	18⅛	Texas Ind	0.20	0.9	46	24	[illegible]			
51⅛	30	Texas Inst	0.72	1.4	104	2445	[illegible]			
23⅛	17	Texas Pac	0.40	2.3	31	18	[illegible]			
43⅜	37	Texas Util	3.04	7.4	12	1909	[illegible]			
10⅜	9⅜	Textl Pf	1.10	10.8		6	[illegible]			
9⅛	4⅞	Textl Inds	1.10	13.7	7	54	[illegible]			
39⅞	35⅛	Textron	1.12	3.0	10	735	[illegible]			
5⅛	4⅛	Thackeray			23	20	[illegible]			
11½	7½	Thai Cap	0.26	2.3		136	[illegible]			
19½	13¼	Thai Fund	2.72	13.9		269	[illegible]			
47½	37½	ThermoElec	0.13	0.3	20	1784	[illegible]			
17⅞	13⅜	Thiokol	0.40	2.5	5	114	[illegible]			
69	54¼	Thomas & B	2.24	3.4	27	246	[illegible]			
14⅛	8⅞	Thomas Ind	0.40	4.8	67	60	[illegible]			
19½	13	Thomson Ad	1.28	7.8	7	61	[illegible]			
27	11⅞	Tidewater	0.16	0.8	66	206	[illegible]			
52⅞	23	Tiffany x	0.28	1.0	16	808	[illegible]			
52⅞	46⅛	TimeWrn8.75	4.38	9.1		1293	[illegible]			
[illegible]										

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
34¾	24⅞	Xerox 1.34	1.34	5.8		20	u34½	34	34⅛	+1
47½	28½	Xtra Corp	0.80	1.7	14	405	46⅞	46⅛	46¾	+⅛
30⅝	25¼	Yankee Egy	1.86	5.9	13	53	28½	28¼	28⅛	-⅛
1½	½	Zapata			25	585	1⅛	1½	1	-⅛
11⅛	5	ZenithElec			2	764	6⅛	5⅞	6⅛	+⅛
19½	14½	Zenith Nat	1.00	5.9	8	10	17	16⅞	16⅞	-⅛
7½	6	Zeolx Inc	0.83	12.8		127	6⅝	6½	6½	
13¾	10	Zero Corp x	0.44	3.0	20	79	13½	13¼	13⅞	+⅛
36	27¾	Zurn Ind x	0.88	2.5	36	464	35½	33⅞	35⅛	+1½
14⅛	12	Zweig Fund	1.12	8.7		418	12⅞	12½	12⅞	+⅛
11	9½	Zweig Tot x	0.96	9.8		542	10	9¾	9¾	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close November 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close November 9

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							
Wdstwn L	0.28	15	35	22⅛	22⅛	22⅛	
Wolv Expl		0	410	⅛	d1/16	1/16	
WinE/WSA			3	1/16	d1/32	1/32	
Wthington	0.48	24	1179	23⅝	23	23⅝	+⅛
WPP Group	1.11	1	266	1⅛	1 1/16	1 1/16	-1/16
Wyman-Gdn	0.40	1	1151	5⅝	5⅛	5⅛	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		21	5618	19½	19	19¼	-⅛
Xoma Corp		5	3697	10	9	9⅞	+⅜
Yellow Fr	0.94	22	368	29	28½	28½	-½
York Rsch		7	1433	7 1/16	7	7 1/16	-⅛
ZonsUtah	1.44	11	1205	u69⅛	66⅛	68⅝	+3⅜

AMERICA

Heavy selling erases early Dow advance

Wall Street

HEAVY selling in the final hour of trading left blue chip stocks little changed at the close yesterday after computer program buying and selective bargain hunting had provided share prices with a solid early boost, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average was just 0.81 up on balance at 3,240.87, after a day's high reached mid-afternoon when the index had been some 24 points ahead. Other indices did a better job of holding on to their gains. The Standard & Poor's 500 finished 1.01 higher at 418.59, the American SE composite 2.10 firmer at 385.36 and the Nasdaq composite 5.23 stronger at 622.05, in the wake of good demand for small-capital growth stocks. New York SE turnover was fairly heavy at 199m shares.

The impact of last week's presidential election on stock market sentiment began to wane yesterday. Although speculation remains concentrated on the likely make-up of President-elect Bill Clinton's cabinet – especially the question of who is appointed to the top economic jobs – comments from the Clinton transition team suggest that choices will not be made or publicised until next month.

Consequently, investors were left to focus their attention on the bond market, which traded nervously ahead of the important afternoon auction of $15.5bn in three-year notes.

Bargain hunters lifted Walt Disney $⅜ to $40⅞ in turnover of 1.9m shares and IBM $1⅞ to $67⅞ on 1.6m traded.

Ford firmed $¼ to $39 as speculation intensified that Mr Alexander Trotman, head of the group's North American operations, would soon be announced as Ford's new president and chief operating officer, making him the clear successor to outgoing chairman and chief executive Mr Harold Poling.

Ann Taylor Stores rose $1¼ to $21¼ after third-quarter profits of 20 cents a share, up from 17 cents recorded a year earlier.

First Bank System shed $⅝ to $25¼ after signing a merger agreement with Colorado National Bankshares in a deal that will cost First Bank about $525m. Colorado National jumped $6⅛ to $38⅞.

Storage Technology plummeted $8¼ to $23⅝ in turnover of 3.9m shares after saying that testing of its Iceberg Computer Disk-Array system will take longer than expected, extending into the second half of 1993.

Biogen advanced $2⅛ to $44⅞ after broking house Hambrecht & Quist raised its fourth-quarter profits forecast, the second such upgrade in the past week.

SAO PAULO was showing a 5.4 per cent fall by late afternoon as investors remained bearish about a government tax reform proposal, which includes a controversial impost on financial transactions, presented to Congress last week. At 15.30 local time the Bovespa index was 2,325 lower at 40,718.

Canada

A WEAK gold shares sector took the market lower in busy trading. The TSE 300 index lost 17.1 to 3,293.8, while declining issues led advances by 360 to 259 after volume of 33.2m shares valued at C$311.8m. The golds index fell 2.53 per cent.

SOUTH AFRICA

JOHANNESBURG was mixed as the market waited for US president-elect Bill Clinton to set out his economic policy. The gold index fell 30 to 783 and the overall index lost 13 to 3,020. The industrial index was little changed at 4,013.

EUROPE

Individual stocks stand out in Paris and Milan

INDIVIDUAL stories helped Italian banks rise and French blue chips fall, while generalities produced a technical gain for German equities, *writes Our Markets Staff*. Madrid was closed for a public holiday.

PARIS eased in thin trading which was dominated by Total, the oil group which is suffering from a succession of bad news items. The CAC-40 index fell 6.97 to 1,786.65 in low turnover of FFr1.67bn, of which FFr210m was generated by Total.

Total, which last week disappointed investors with news of a FFr600m worth of restructuring and asset writedowns and a restriction on shareholder voting rights, fell as low as FFr228.10 on news of an explosion at its refinery in southern France. The refinery accounts for about a quarter of its domestic annual refining capacity. The stock later recovered to close FFr3.60 lower at FFr235.90.

Bic, the manufacturer of disposable cigarette lighters, razors and pens, saw its shares fall to FFr865 on news that a US court had awarded $22m against it in damages. But the shares later closed down FFr11 at FFr896 in reasonably heavy volume of 60,000 shares.

LVMH lost another FFr19 to FFr3,560 on continued fears about the impact of a trade war between Europe and the US. There were also concerns that analysts' forecasts for 1993 were still too high.

MILAN continued to focus on privatisation stocks, especially state-controlled banks, following Friday's leak of a government document, and yesterday's announcement by Iri that it would sell its entire 67 per cent stake in Credito through an international competitive auction.

Dealers said that the buying of bank stocks was predominantly domestic. The rest of the market was quietly easier as the Comit index stood 0.18 down at 432.59 in turnover estimated at slightly more than L150bn after Friday's L161.7bn.

Credito Italiano led the gainers, as it rose L220 or 10 per cent to L2,430, reaching L2,560 in the afternoon in London. Banca di Roma added L120 or 6.6 per cent to L1,950 and Banca Commerciale Italiana gained L300 or L8.3 per cent to L3,925.

Despite denials from Fiat that it planned to sell off Rinascente, the retailer's savings shares were delayed from trading because buyers outnumbered sellers. They finally settled at L3,140, up L140 or 4.7 per cent; Fiat fell L169 to L4,381.

FRANKFURT combined fact with fantasy in a thin market as the dollar rose and dealers speculated about interest rates ahead of this week's Bundesbank meeting, causing export-oriented equities and the bond market to rise in tandem.

Bond and stock futures rose, as the Bundesbank's average bond yield dropped 23 basis points to 7.25 per cent after rising 15 points last Friday. Short-covering drove exporters and other dollar-sensitive stocks up as the DAX index rose 21.64 to 1,508.80.

Turnover rose from DM3.7bn to DM4.3bn. Among obvious dollar beneficiaries, in carmakers and engineering, Daimler rose DM14 to DM524.50 and Volkswagen DM9.50 to DM276, and MAN and Linde put on DM8.50 to DM256.50, and DM13 to DM672 respectively.

Other dollar-sensitives included Degussa, which trades precious metals in one of its sectors, and Metallgesellschaft which is active in non-ferrous metals, registering gains of DM18 to DM316, and DM12 to DM322.

STOCKHOLM gained 1.6 per cent on the firm dollar and expectations of positive nine-month earnings reports. The Affärsvärlden General index rose 11.3 to 735.5 as turnover jumped to SKr511m from SKr282m.

Astra A shares rose SKr11 to SKr598 ahead of its results, due tomorrow. Market estimates for its nine-month pre-tax profit range from SKr3.4bn to SKr3.6bn after SKr2.58bn in the year-ago period.

Electrolux B shares added SKr6 to SKr177 ahead of its results, due on November 19.

BRUSSELS closed mixed as Delhaize continued to dominate trading. The Bel-20 Index lost just 0.87 to 1,133.60.

The decline in Delhaize shares slowed after its heavy fall last week due to adverse publicity surrounding its US unit, Food Lion. It ended BFr16 lower at BFr1,470 and some bargain-hunting was evident.

AMSTERDAM retreated from the day's high to close mixed. After a high of 104.1, the Tendency Index finished up 0.3 at 103.7.

Unilever, ex-dividend, fell a net Fl 4.03 to Fl 184.60 on continued disappointment about its third-quarter results. The smaller food stock, Nutricia, gained Fl 5.50 to Fl 119.00 on a report that Germany's Altana was interested in buying it.

DUBLIN saw more fall-out from the troubles of GPA, the aircraft leasing group, as the big domestic banks dropped and Irish Life – which fell 5.7 per cent last week on its exposure to GPA equity – lost another 8p to 140p.

The ISEQ overall index closed 15.67 lower at 1,106.90, threatening a 1992 low of 1,094.86. Bank of Ireland fell 3p to 154p and Allied Irish Banks by 6p to 151p.

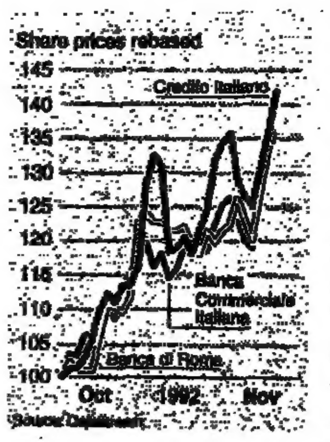
FT-SE Actuaries Share Indices

November 9 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1039.46	1041.68	1042.82	1043.06	1044.38	1043.78	1042.86	1043.29
FT-SE Eurotrack 200	1108.42	1110.23	1110.85	1109.94	1110.84	1110.29	1109.22	1108.00

	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2
FT-SE Eurotrack 100	1038.28	1038.93	1037.06	1038.76	1032.82
FT-SE Eurotrack 200	1111.70	1109.13	1105.82	1105.49	1095.06

Base value 1000 (26/10/90) High/day: 100 - 1044.52 200 - 1111.06 Low/day: 100 - 1039.46 200 - 1108.00



ASIA PACIFIC

Nikkei falls 2.7 per cent on fears of delay in budget

Tokyo

CONCERN OVER a possible delay in the approval of the supplementary budget added to the effect of a spate of negative interim reports, and the Nikkei average lost 2.7 per cent on arbitrage unwinding and small-lot profit-taking, *writes Emiko Terazono in Tokyo.*

The Nikkei ended 452.76 down at 16,417.05, near the day's low of 16,416.45 recorded just before the close. It opened at the day's high of 16,825.48 and was taken lower by index-linked selling and foreigners' liquidation of holdings.

Volume dipped to 180m shares from 198m. Declines overwhelmed advances by 864 to 71, with 127 issues unchanged, while the Topix index of all first section stocks fell 26.50 to 1,249.46. In London the ISE/Nikkei 50 index eased 2.63 to 999.47.

Worries that opposition parties will delay the debate over the supplementary budget, including the emergency economic package in the current extraordinary Diet session, depressed sentiment. The opposition has been calling for testimony by Mr Shin Kanemaru, the "godfather" of the LDP, and Mr Noboru Takeshita, a former prime minister, to explain the the party's links with Sagawa Kyubin, the parcel delivery company, as well as with gangsters and right-wing activists.

Public pension funds did not support the falling market. "Public funds are not in a rush. A lot of fund managers seem to be saving their firepower for March, the fiscal year-end," said Mr Chris Newton at James Capel.

Electronic issues were sold by investment trusts and tokkin funds, or specified money trusts. NEC and Fujitsu weakened Y8 and Y25 to year's lows of Y648 and Y510 respectively. Domestic fund managers said that while electronic stocks looked cheap, hopes of a recovery seemed thin due to slowing demand.

Aids-related shares plunged, with dealers and investors discouraged by last week's announcement by TSD, a computer company on the over-the-counter market, that it had previously made false announcements over clinical tests of its HIV vaccine. Green Cross, the most active issue of the day, fell Y60 to Y1,290 and Meiji Milk Products shed Y36 to Y875.

Securities companies lost ground on prospects of poor earnings because of disappointing market volume. Traders said most brokers could have overestimated their annual profit forecasts, based on projected average daily volume for the second half of between 300m to 400m shares. The figure for October has only been 218m shares. Nomura Securities receded Y80 to Y1,320 and Daiwa Securities Y29 to Y781.

In Osaka, the OSE average slipped 369.99 to 17,927.94 in volume of 10.2m shares.

Roundup

TURNOVER put on a better showing than share prices in parts of the region, but South Korea starred in both departments.

SEOUL registered its fifth consecutive gain in a record turnover, on buying by aggressive individual investors. The composite index rose 22.46, or 3.4 per cent, to 686.46 as 71.05m shares worth Won1.06 trillion changed hands, against a previous turnover record of Won972.87bn on July 30, 1991.

SINGAPORE achieved record volume of 348.8m shares, against an earlier peak of 269.2m on March 6, 1991, but the Straits Times Industrial index closed only 2.76 higher at 1,415.88. Dealers said investors were not showing much enthusiasm for Singaporean shares, and that Malaysian stocks were still receiving most of the attention.

KUALA LUMPUR fell as volume soared to a new high of 471.6m shares, against 371.3m on Friday. Losses in some major component stocks pushed the composite index down 5.67 to 648.93.

HONG KONG subsided after its recent gains. The Hang Seng index relinquished 47.10 at 6,267.91 in turnover of HK$2.75bn.

BANGKOK dropped 2.1 per cent, led down by a substantial correction in the banking and finance and securities sectors. The SET index closed 19.72 off at 939.36 in Bt13.8bn turnover.

MANILA stocks were depressed by the crime situation and prospects of prolonged power cuts. The composite index declined 5.02 to 1,345.66.

AUSTRALIA was pushed down by continued uncertainty about Westpac, and a general lack of positive news. The All Ordinaries index closed 3.8 easier at 1,419.5.

BOMBAY fell a further 2.6 per cent on rumours that at least 12 Calcutta brokers were on the brink of a payment default. Sentiment in Bombay was also hit by double-digit inflation and the BSE index lost 70.80 to 2,685.39.

Finland takes first prize for third week

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-1.56	-0.07	-16.73	-11.13	+3.41	-15.05
Belgium	-0.92	+2.89	-2.44	-2.56	+13.35	-6.88
Denmark	+1.13	+1.56	-32.32	-28.73	-16.08	-31.06
Finland	+5.91	+30.40	-0.68	+7.52	+8.57	-10.80
France	+2.52	+6.91	-2.14	+1.18	+18.43	-2.71
Germany	-0.43	+3.17	-9.23	-8.19	+6.36	-12.63
Ireland	-1.76	-0.25	-22.45	-20.72	-8.10	-24.50
Italy	-2.51	+8.57	-11.81	-11.61	-9.29	-25.48
Netherlands	+0.96	+0.95	+1.23	+2.98	+19.45	-1.87
Norway	-2.18	+4.21	-29.83	-19.21	-9.26	-25.46
Spain	+0.46	+2.71	-22.26	-19.24	-16.54	-31.44
Sweden	+2.30	+9.16	-16.64	-7.33	+4.77	-13.93
Switzerland	+1.73	+2.85	+11.00	+13.75	+31.07	+7.66
UK	+1.68	+6.68	+5.39	+8.29	+8.29	-11.04
EUROPE	+1.10	+5.28	-1.83	+0.72	+8.83	-10.60
Australia	-0.33	-3.29	-18.09	-16.48	-6.24	-22.98
Hong Kong	+1.06	+10.57	+48.54	+44.80	+77.32	+45.87
Japan	-0.03	-1.47	-30.60	-24.79	-7.02	-23.62
Malaysia	+4.82	+14.50	+27.47	+21.87	+60.39	+31.76
New Zealand	+3.33	+0.90	-17.37	-15.31	+1.07	-16.96
Singapore	+3.47	+8.44	-6.69	-9.54	+8.23	-10.27
Canada	-0.72	+3.09	-8.34	-7.01	+4.56	-14.11
USA	-0.14	+3.72	+7.74	+0.51	+22.34	+0.51
Mexico	+1.14	+11.51	+13.18	+8.05	+28.32	+5.41
South Africa	-0.03	-2.80	-16.93	-15.79	-30.64	-43.03
WORLD INDEX	+0.28	+2.76	-7.85	-7.32	+9.27	-10.24

† Based on November 6th 1992. Copyright, The Financial Times Limited, Goldman Sachs & Co, and County NatWest Securities.

By Antonia Sharpe

Finland provided the best performance of the FT-Actuaries World Indices for the third week running, while Malaysia came a close second as it rose to a record high last week. But both markets appear vulnerable to a temporary setback as some investors take their profits.

Mr Peter Lawrence at Kleinwort Benson says Finnish equities cannot continue to climb at their current pace. The HEX index has risen more than 50 per cent from its 5½-year low since early September, and on the FT-A, Finland advanced 5.9 per cent in local currency terms last week.

However, he believes that the factors which have propelled the market higher – improved fundamentals, a rise in exports as a result of the markka devaluation, and good eight months' results – will allow the market to continue its recovery, albeit at a more sustainable pace. He adds that sentiment is still positive, and that the opening of restricted shares to foreigners at the start of next year should encourage more interest from overseas.

Malaysia, up 4.8 per cent in local currency terms last week in the wake of a pleasing budget which predicted GDP growth of 8 per cent next year, has seen a lot of speculative buying, says Mr Michael Franklin, a director at Kim Eng Securities. Retail investors have been heavily buying shares in the Magnum group, on hopes that it will receive approval from Beijing to run a lottery in China's southern Guangdong province.

There has been softness in Tenaga Nasional and Malaysia Telekom, which account for more than one-third of the market, but any downturn in the market could be limited to 10 per cent because of the weight of money waiting to be invested in Malaysian equities.

South Africa's flat performance on the week in local currency disguises a fall of 6.8 per cent in dollar terms, as the financial rand continues to weaken on fears of another exodus by foreign companies.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 9 1992								FRIDAY NOVEMBER 6 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	114.78	-1.2	111.88	89.86	94.79	109.78	-0.4	4.44	116.19	112.07	90.37	96.29	110.27	158.68	113.59	160.29
Austria (19)	139.19	-1.6	135.68	108.97	114.95	114.73	-1.6	2.46	141.47	136.46	110.04	117.24	116.61	186.70	139.19	170.72
Belgium (42)	134.84	+0.3	131.43	105.55	111.35	108.57	+0.2	5.67	134.41	129.65	104.54	111.38	108.39	152.27	134.41	133.31
Canada (114)	115.47	-1.4	112.55	90.39	95.36	106.39	-0.7	3.31	117.07	112.93	91.06	97.01	106.14	142.12	112.97	142.27
Denmark (33)	187.27	+1.7	182.54	146.61	154.66	154.46	+1.0	1.78	184.18	177.66	143.26	152.63	152.99	273.94	184.18	261.07
Finland (15)	69.40	-0.3	67.64	54.33	57.31	72.67	-0.2	1.94	69.59	67.12	54.13	57.67	72.80	89.80	52.84	88.54
France (100)	146.44	+0.1	142.74	114.64	120.93	123.30	-0.4	3.66	146.36	141.18	113.83	121.28	123.74	168.75	144.70	145.23
Germany (64)	104.23	+1.7	101.60	81.61	86.08	86.08	+1.3	2.67	102.51	98.88	79.75	84.95	84.95	129.69	102.51	111.92
Hong Kong (53)	254.66	-0.9	248.23	199.36	210.32	252.81	-0.9	3.56	256.90	247.81	199.82	212.91	255.05	261.48	178.36	174.78
Ireland (16)	125.16	-1.2	122.00	97.99	103.37	105.51	-1.6	5.16	126.69	122.20	98.54	104.99	107.28	173.71	125.16	160.35
Italy (77)	56.33	+0.3	54.91	44.10	46.52	57.15	+0.0	3.63	56.18	54.19	43.69	46.55	57.16	80.86	47.47	69.85
Japan (472)	100.86	-2.8	98.32	78.96	83.31	78.96	-2.1	1.07	103.74	100.07	80.69	85.99	80.69	140.95	87.27	139.00
Malaysia (69)	282.42	+0.1	275.28	221.09	233.23	274.31	+0.3	2.39	282.21	272.22	219.50	233.86	273.54	282.42	212.49	211.14
Mexico (18)	1498.62	+2.2	1460.78	1173.23	1237.65	5117.06	+2.4	1.17	1466.50	1414.58	1140.67	1215.31	4997.77	1789.77	1185.84	1343.56
Netherland (25)	150.27	+0.3	146.48	117.65	124.11	122.57	-0.1	4.63	149.82	144.51	116.53	124.16	122.64	169.70	147.88	145.76
New Zealand (13)	38.67	-0.9	37.70	30.28	31.94	39.03	-0.2	5.61	39.01	37.63	30.34	32.33	39.10	48.52	37.30	49.42
Norway (22)	131.36	-1.4	128.04	102.84	108.49	114.87	-1.8	2.11	133.27	128.55	103.66	110.45	116.95	192.95	131.36	184.78
Singapore (38)	195.81	-0.7	190.86	153.29	161.70	147.53	-0.8	2.23	197.12	190.14	153.32	163.35	148.36	229.63	179.65	213.93
South Africa (60)	140.13	-1.2	136.59	109.70	115.72	145.12	-0.4	3.52	141.81	136.79	110.30	117.52	145.68	263.60	139.37	265.18
Spain (48)	107.65	+0.6	105.13	84.44	89.07	92.53	+0.0	6.47	107.24	103.44	83.41	88.87	92.53	161.72	107.24	152.10
Sweden (31)	159.14	+2.1	155.12	124.59	131.43	140.12	+1.7	2.80	155.91	150.39	121.27	129.21	137.73	200.28	149.69	183.06
Switzerland (60)	108.64	+0.5	105.90	85.06	89.73	96.01	+0.1	2.23	108.06	104.24	84.06	89.57	95.90	122.37	95.99	97.74
United Kingdom (228)	162.78	-1.3	158.67	127.43	134.42	158.67	-0.2	4.63	164.87	159.03	128.23	136.62	159.03	200.07	162.78	181.44
USA (522)	171.13	+0.2	166.81	133.98	141.34	171.13	+0.2	2.97	170.74	164.69	132.81	141.50	170.74	173.39	160.92	159.90
Europe (780)	131.85	-0.1	128.52	103.23	108.90	118.39	+0.1	3.97	132.03	127.36	102.70	109.42	118.30	156.88	131.85	142.94
Nordic (101)	144.49	+1.6	140.84	113.12	119.33	120.02	+1.2	2.44	142.15	137.12	110.57	117.80	118.59	188.52	141.24	183.86
Pacific Basin (713)	106.34	-2.5	103.65	83.25	87.82	84.95	-1.9	1.42	109.07	105.21	84.84	90.39	86.61	141.97	93.70	140.31
Euro - Pacific (1493)	116.66	-1.4	113.72	91.32	96.34	98.36	-1.0	2.59	118.36	114.17	92.06	98.08	99.37	145.21	113.80	141.70
North America (636)	167.67	+0.2	163.44	131.28	138.50	166.66	+0.2	2.98	167.40	161.47	130.22	138.75	166.34	170.48	156.70	158.72
Europe Ex. UK (552)	113.02	+0.7	110.16	88.49	93.35	96.46	+0.3	3.50	112.24	108.27	87.32	93.04	96.18	132.98	112.24	120.06
Pacific Ex. Japan (241)	160.10	-0.8	156.05	125.36	132.23	146.76	-0.5	3.62	161.41	155.70	125.57	133.78	147.52	175.31	149.00	163.19
World Ex. US (1685)	117.71	-1.4	114.74	92.16	97.22	100.33	-1.0	2.61	119.38	115.15	92.86	98.94	101.31	148.91	116.18	143.78
World Ex. UK (1979)	132.15	-0.6	128.81	103.46	109.15	118.48	-0.5	2.55	133.00	128.30	103.46	110.23	119.06	150.58	127.21	144.98
World Ex. So. Af. (2147)	134.89	-0.7	131.48	105.61	111.41	121.77	-0.5	2.76	135.85	131.04	105.67	112.59	122.34	153.05	130.04	147.36
World Ex. Japan (1735)	153.99	+0.0	150.10	120.56	127.19	147.16	+0.1	3.34	153.97	148.52	119.77	127.82	148.97	165.40	151.93	154.39
The World Index (2207)	134.81	-0.7	131.41	105.54	111.34	122.03	-0.5	2.76	135.77	130.97	105.61	112.53	122.60	153.70	130.66	148.14

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Madrid market closed November 9.